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Chair

The Honourable Wayne Easter

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● (1530)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Okay, we'll call the meeting to order. I'd just like to remind people that once the gavel is down, no more pictures are allowed in the committee room. I see a few of them out.

Today, we'll be furthering our study on the budget implementation act, Bill C-74, an act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures.

With us this afternoon we have six witnesses. We'll start with you, Mr. Leach, the associate professor of the Alberta School of Business, University of Alberta. The floor is yours, and we try to keep opening comments to about five minutes.

Dr. Andrew Leach (Associate Professor, Alberta School of Business, University of Alberta, As an Individual): Thank you, Mr. Chair.

Good afternoon, ladies and gentleman, it's a pleasure for me to speak to you today to express my support, and to provide context for the greenhouse gas pollution pricing act, part 5 of Bill C-74.

This legislation, the backbone for the federal government's approach to climate change, will complement the measures already taken by Canada's provinces. It will allow provinces without carbon pricing systems to benefit from the federal architecture to impose a carbon price, and will allow them to receive revenue collected from it. This combination of federal policy with provincial-level flexibility recognizes the diversity of provincial economies, yet allows for federal leadership on climate change, which is so important.

This bill guarantees that carbon prices will apply on nearly all emissions from energy used in Canada, from the cars on the 401 and the 417, to the largest industrial facilities in Canada. The bill provides for the federal price to be applied in provinces without sufficiently stringent carbon pricing policy.

Assuming no changes in provincial policy, implementation of this bill would likely exempt the provinces of B.C., Alberta, Ontario, Quebec, and most likely Manitoba. These provinces, home to 90% of Canada's population and responsible for 83% of Canada's emissions, would be potentially subject to this legislation were their domestic climate change policies to be significantly weakened.

Why have a carbon a price? Simply put, carbon price leverages the power of the market to enable emission reductions at the lowest possible cost. It does not rely on governments to determine who should emit, or what technology they should use to do so. It relies on individuals to make decisions where they are best suited to do so.

The carbon pricing plan proposed in this bill, just like current policies in B.C., Alberta, Ontario, and Quebec, puts the price on carbon emissions from most sources, not just large industrial facilities. The broader the price is on carbon, the lower the price will be to meet any given target, or the greater the emission reductions will be from any given carbon price.

Of course, as we know, carbon emissions in Canada are not just a big industry issue and certainly not just an oil and gas issue.

Do carbon prices work? That's probably a question you're hearing a lot on this committee, and the answer is simply, yes. We have plenty of evidence from B.C.'s carbon tax, which has been in place since 2008, that carbon prices do reduce emissions below where they would otherwise be. If you want to look up some work on this, work by Nic Rivers at the University of Ottawa, among others, has shown this conclusively.

This doesn't mean they're magic. They will not always lead to emissions being lower than they have historically been, especially when macroeconomic growth is rapid, something we've seen in Alberta for years, or when technological change is slow. However, let me assure you, and put on the record, that demand curves slope downwards despite frequent claims to the contrary.

When emissions have a price, we'll use fewer of them.

If you think of innovation and technological change as the solution to climate change, a carbon price is your best policy choice. When asked how governments can spur innovation and green tech, Syracuse University's David Popp provided five rules for government in a report published by the C.D. Howe Institute. The first of these is carbon price, carbon price, carbon price, because in his words, "Supporting technology development means not only investing in new technologies but also creating demand for clean technologies throughout the economy." That happens organically with a carbon price. A carbon price is also a useful alternative to governments picking winners with regulations and subsidies.

Therefore, why not just have a big federal policy? Why not just have a one-size-fits-all federal plan in this regard? I think that would be a poor decision because our provincial economies are very different—I've done a lot of work in Alberta, Ontario, and Quebec—as our emissions profiles are very different, as are the means to reduce emissions. I have a couple of examples. If you look at some of our provinces, we still generate a lot of our electricity from fossil fuel sources, whereas in other provinces, electricity is already zero carbon. That in and of itself provides different opportunities.

If you look at my home province of Alberta, about a quarter of our GDP comes from sectors which are described as emissions intensive and trade exposed. It means they're vulnerable to possible emissions leakage, so Alberta designed a program to mitigate that. If you tried to pick the same policy to work for Ontario that worked in Alberta, you'd find that the policy didn't fit very well.

Finally, of course, is the use of revenues. You can see different choices made across the country to meet provincial goals.

Therefore, I think the federal government has chosen wisely here, not only providing the provinces with the means to select their own policies but also to determine the uses of revenue from these federally imposed carbon prices.

Here again, I think this is an area where provinces are going to have different priorities and different ideal uses of revenues. Trevor Tombe recently put forward a proposal for Ontario that would see, without altering the income distribution, a carbon tax used to expand the sales tax credit by 80% and to eliminate the health care premium.

Obviously in Alberta and B.C., we've chosen more progressive policies, which have made the bottom 40% to 50% of households better off with the carbon tax than they were without.

● (1535)

I think these choices are better made provincially than federally.

Just to wrap up, I do have a couple of concerns with this legislation. I am concerned a little bit with the discretion provided to the Governor in Council to apply measures to provinces.

Clause 189 indicates that the cabinet may take into account any factor it considers appropriate, including the stringency of carbon pricing mechanisms, to determine whether a province should be covered. Here I'd like to see a cleaner definition of "stringency"; and conveniently, a price on carbon gives you that. A test judged by that standard would prevent an outcome where cabinet sees fit to apply to one province a price on carbon far higher than it would allow to be applied in others.

I am also concerned a bit with clause 188, which determines the distribution of revenues from the carbon tax to specified provinces. I think what we want to make sure of here is that the implications are clear that the revenues collected in these bills will be distributed to the provinces independent of other transfer decisions of the federal government.

Overall, though, it's my pleasure to be here with you today to express my support for this bill.

[*Translation*]

Thank you for your attention and for setting time aside for me. I will be happy to answer your questions.

[*English*]

The Chair: Thank you very much.

Turning now to Mr. Kenney, who has been in this room near that chair in a former capacity, I believe. Jason is now leader of the official opposition in the Legislative Assembly of Alberta.

Welcome.

Hon. Jason Kenney (P.C., MLA, Leader of the Official Opposition of the Legislative Assembly of Alberta, As an Individual): Thank you, Mr. Chairman. I've been on both sides of the table, and at this end too, so it's wonderful to be back.

Mr. Chairman, I am leader of the United Conservative Party in Alberta. We just had our founding annual general meeting, which wrapped up yesterday. Since 98% of our members voted in favour of a policy to repeal the carbon tax imposed by the incumbent NDP government in Alberta, I am here in opposition to part 5 of Bill C-74 and its proposed federal carbon tax.

The NDP government in Alberta imposed its carbon tax five months after the last election. Hilariously, they forgot to mention their carbon tax in that election. It was the largest hidden agenda in our province's political history, and the largest tax increase in our history. They raised it by 50% on January 1 of this year. They are now committed to raising it by a further 67%, and they're blaming Bill C-74, the federal carbon tax.

I can report that there have been over a dozen public opinion polls taken on the carbon tax in Alberta in the past two years, showing consistently that two-thirds of Albertans oppose this tax. They oppose it not because they are indifferent to the environmental questions or the challenges of climate change and greenhouse gas emissions, but because they understand, with their good common sense, that punishing consumers for living normal lives in a cold northern climate and an advanced economy is not a responsible environmental policy. They understand that making it more expensive for seniors to heat their homes when it's 30 below outside, as it was just a couple of weeks ago in Alberta, or making people pay more in order to drive to work, is punishing people for simply living their lives and doesn't make sense.

The theorists who support carbon tax will generally admit that it is a so-called Pigouvian tax, by which they mean there should be a taxation on negative behaviours, like sin taxes on booze and cigarettes.

Most Albertans don't think that heating their homes and driving to work and running their small businesses are something that should be punished.

I recently visited the Sundre Seniors Centre. It's a wonderful organization that keeps seniors active in their community. They do that for only $18,000 a year. It's a completely volunteer organization. They're now spending 7% of their annual budget on a carbon tax they can't afford, which is about to go up by another 67%. They don't get a rebate and they don't get any prospective offsetting tax cut, so they're looking at possibly having to close down their seniors centre.

There are real human impacts that the advocates don't talk about. That is why I am pleased to report to you that if Albertans elect a United Conservative government in next year's provincial election, the first bill that we will introduce in the legislature will be the carbon tax repeal act. We will completely repeal the NDP carbon tax.

If the federal government then seeks to impose the powers proposed in this bill on Albertans through a federal carbon tax, we will see the federal government in court. Our official opposition is making an application to the Saskatchewan Court of Appeal to seek intervenor status to join the Saskatchewan government's constitutional challenge of Bill C-74. Should we be in office, we will ensure that Alberta does everything it can to get Alberta before the courts on the same issue.

We believe this is an unconstitutional intrusion into the exclusive provincial power to tax for provincial purposes. It's also an unequal application of a federal power on different provinces, which are being treated differently.

I close by pointing out that the advocates of carbon taxes know that the $50 tax is just the beginning. Environment Canada has said that in order to hit the Paris targets, it has to go to $300 a tonne. This is the "frog in the pot" syndrome. All of the carbon tax advocates here are simply trying to get people used to paying more to heat their homes and to drive to work, so that they can continually raise this to give more revenue to politicians and more control to government. A future Conservative government in Alberta will do everything it can to fight that.

● (1540)

The Chair: Thank you very much, Mr. Kenney.

We'll turn, then, to Canada's Ecofiscal Commission, Mr. Beugin, executive director.

Mr. Dale Beugin (Executive Director, Canada's Ecofiscal Commission): Thank you very much for the opportunity to speak today.

I represent Canada's Ecofiscal Commission. We are a panel of senior economists from across the country supported by a cross-partisan advisory board with representatives from industry, civil society, and perspectives across the political spectrum. The commission's mandate is to identify and support policies that make sense for both the environment and for the economy. In other words, it is to identify policies that achieve environmental objectives at the lowest economic cost. Our research and analysis clearly indicate that carbon pricing is such a policy.

Today, I look to unpack three key aspects of carbon pricing as they relate to BillC-74. First, carbon pricing is effective in reducing GHG emissions. It creates incentives for businesses and households to choose lower carbon activities and technologies, it creates demand for low-carbon technologies, and it drives low-carbon innovation. We know that prices affect choice all through the economy, but there is also, as Mr. Leach alluded to, ample and empirical evidence that carbon pricing works.

In B.C., according to academic research, GHG emissions would be 5% to 15% higher had B.C. not implemented its carbon tax. More specifically, for example, in the absence of the tax, vehicles would be 4% less efficient per capita, gasoline demand would be 7% to 17% higher.

Ecofiscal's own modelling analysis from 2016 found that a carbon price rising to $50 per tonne in 2021 and $100 per tonne by 2027 could reduce emissions by about 170 megatonnes in 2030 and 80 megatonnes in 2022.

Second, economists agree that carbon pricing is the lowest-cost approach to reducing GHG emissions. Our same analysis finds that the cost of carbon pricing, even when rising to $100 per tonne by 2027, would only slightly affect economic growth. How does revenue recycled affect these estimates? At worst, carbon pricing would reduce growth rates by about one-tenth of a percentage point, but if revenues were used to cut income taxes, as provinces have discretion to do under the pan-Canadian framework, the impacts on growth would be negligible. Economic growth would remain positive and strong.

Alongside these small costs, we must also consider benefits. Carbon pricing can reduce GHG emissions, helping Canada to achieve its 2030 target. Doing so will also contribute to global efforts to fight climate change, and avoiding the costly impacts of a changing climate. These reductions will also have benefits in terms of reducing local air pollution, and thus improving local air quality and health.

Canada has ambitious targets for emission reductions in 2030. Achieving these targets will have costs, but carbon pricing can achieve those emissions reductions at the lowest possible cost. Other policies, including subsidies or prescriptive regulations, will cost more. Regulations that require specific outcomes or technologies in specific sectors are less flexible, and thus have higher costs. Carbon pricing does not require a preconception as to where in the economy or the country the lowest-cost opportunities for emissions reductions might exist.

The flexibility of carbon pricing also creates powerful incentives for clean innovation. Subsidies for clean technologies require picking specific technologies. Furthermore, they're often paid to businesses or individuals that would have adopted the clean technology even in the absence of the subsidy or with a smaller subsidy, thus raising costs.

Finally, well-designed carbon pricing can reduce emissions while also protecting the competitiveness of Canadian businesses, even while some of our trading partners do not price carbon. In particular, Ecofiscal's analysis of output-based pricing suggested that this approach, as included in Bill C-74, can provide transitional steps forward to vulnerable industries. It creates incentives for industry to reduce GHG emissions by improving emissions performance, not by reducing production or investment in Canada. This is the approach that Alberta pioneered under the specified gas emitters regulation in 2007, and subsequently improved under the carbon competitiveness incentive regulation.

Canadian businesses, especially those in emissions-intensive and trade-exposed sectors, have expressed clear support for output-based pricing as a way to cost-effectively encourage emissions reductions without undermining economic competitiveness.

To conclude, a climate plan based on carbon pricing is the lowest-cost approach to achieving Canada's GHG emissions targets. The legislation here ensures carbon pricing applies across Canada, addresses concerns around competitiveness, but also gives provinces flexibility in designing provincial carbon pricing and recycling revenue.

Thank you very much.

● (1545)

The Chair: Thank you very much, Mr. Beugin.

We turn then to the Climate Action Network Canada, and Mr. Marshall, vice-chair of the board.

The floor is yours.

Mr. Dale Marshall (Vice-Chair of the Board, Climate Action Network Canada): Thank you, Mr. Chair.

[*Translation*]

Thank you very much for inviting me to take part in your meeting today.

[*English*]

My name is Dale Marshall. I am national program manager for Environmental Defence, but I am here representing Climate Action Network Canada, as their vice-chair of the board.

I'd like to make three points in support of the greenhouse gas pollution pricing act. The first is that a polluter pays system is an important tool in the fight against climate change. Secondly, Canadians can afford to put ambitious and far-reaching climate policies into place, including a price on carbon. Third, Canadians can't afford to leave any tools in the tool box, when it comes to this massive risk and given the urgency of the issue.

First, a polluter pays system is an important tool in reducing emissions, giving incentives for businesses and individuals to move towards clean energy and to move towards greater energy efficiency. It's been used in many places for many years. That's why seven of the 10 largest economies in the world have some form of a price on carbon. China has often been used as the bogeyman of climate change. At the state level, they have had a cap-and-trade system for many years and now they're implementing a national cap-and-trade system.

Design matters, though. The concessions that this bill gives to industry, in terms of its output-based pricing system, could make it less effective. In the past, when carbon pricing systems have failed to be as effective as possible, it is because of larger than necessary concessions to industry. What worries me is that Canada is doing the same thing here. There is a small portion of the Canadian economy that does face competitiveness concerns when you put into place a price on carbon, yet this bill gives blanket concessions and blanket exemptions to the industrial sector and that could be its undoing, quite frankly.

Second, the Canadian economy can afford to have a price on carbon across Canada. Four provinces already have it. The fact that those four provinces are leading the country, in terms of economic growth, does not mean that carbon pricing provokes economic growth, but it certainly shows that you can have both a strong robust economy and a price on carbon.

Scandinavian countries were the first to put these kinds of carbon pricing systems into place and generally, they have led the industrialized world, in terms of economic growth. The modelling shows that the difference you can have between doing absolutely nothing on climate change and having ambitious, robust climate policies is incredibly small and incredibly manageable. Environmental Defence and some of our partners published recent research from leading Canadian economists, which showed that the difference between reaching our Paris commitments by 2030 and doing nothing on climate change would be the difference between 38% growth in our GDP and 39% growth in our GDP between now and 2030.

Third, Canadians need to use every single policy tool that we have in order to fight climate change. Canada's 2030 target has been deemed to be highly insufficient to avoid dangerous levels of climate change and yet we're not on track to reach it. Therefore, proposed policies in the pan-Canadian framework on clean growth and climate change are incredibly important and they should be implemented with the greatest urgency and rigour. That includes carbon pricing across Canada. Leaving it off the table just leaves us further from doing the bare minimum to fight the biggest threat that we face.

Over the last decade, maybe even a generation, the history of Canada has been that we have increasingly understood the perils of climate change, yet we've done nothing about it. I certainly hope that the next decade isn't written by those who will favour polluters over the public good.

Thank you very much.

● (1550)

The Chair: Thank you very much, Mr. Marshall.

We'll be turning to Équiterre, with Mr. Ribaux, executive director. The floor is yours.

[*Translation*]

Mr. Sidney Ribaux (Executive Director, Équiterre): Good afternoon.

Thank you very much for the invitation.

Ladies and gentlemen of the committee, Mr. Chair, it is a pleasure for me to be here to represent Équiterre. My comments will mostly be on section 5, that is, on the price for pollution caused by greenhouse gases.

Équiterre is a not-for-profit organization with charitable status. We have 22,000 members and 110,000 supporters. We have offices in Quebec City, Montreal and Ottawa. We have been involved in environmental and climate issues for 25 years.

To tackle smoking in Canada, our government increased the price of tobacco. To tackle the acid rain that was destroying our forests, President George Bush senior put a price on sulphur dioxide using a cap and trade system. If we want to reduce emissions of greenhouse gases, GHGs, there has to be a tax on carbon. Moreover, this is an international commitment that Canada made in Paris and it is a policy essential for the achievement of our goal. It is a simple, inexpensive approach that has been shown to be effective on a number of occasions.

According to the recent report by Environment and Climate Change Canada on the estimated impacts of the carbon pricing system, it could decrease GHG emissions by 80 to 90 million tonnes in 2022, if Canada and all the provinces and territories adopt a pricing system. That is huge. It is the most significant tool at our disposal. In addition, still according to that report, the impact on the growth of the GDP in Canada would be negligible, as my colleague has already said.

Given that we are still forecasting a shortfall of 64 megatonnes of GHGs compared to our 2030 target, we need these estimated results from the price on carbon. Setting a price on carbon is the norm now. According to the World Bank, more than 67 countries, including China and several other trading partners of Canada's, have already set a price on carbon. It is high time that Canada took the same economic route.

Some are concerned about the potential economic disadvantage that Canadian industry might suffer, but the federal system provides for precise measures to mitigate the risks for the industries exposed to that type of competition. The new clean innovation fund or the low carbon economy challenge, for example, will stimulate a reduction in greenhouse gas emissions in a number of economic sectors, thereby ensuring that our industries remain competitive.

Quebec's greenhouse gas cap-and-trade system covers almost 85% of the economy and has recently expanded again as the Quebec market joined with those in California and Ontario last January 1. For Quebec, the carbon market is the most appropriate economic tool to guarantee reduced greenhouse gas emissions because of its reducing caps and also because of the income it generates. To date, the carbon market has generated revenues of $2 billion, which are channelled in their entirety to implementing Quebec's climate change action plan.

In passing, it must be said that, in Quebec right now, there is a political consensus on the carbon market. No major party in Quebec is opposed to it. It is here to stay.

The revenue from the carbon market auctions goes into the green fund. This fund pays for investments in the economy of tomorrow. Let me give you an example: the fund supports Lion, the Quebec SME that makes school buses that are 100% electric and has more recently started exporting them to California. One day, all school buses in the world will be electric and Quebec will have carved out a part of that lucrative market, thanks to the green fund.

We should note, however, that putting a price on carbon, though it is essential, is not sufficient in itself to attain our goal of reducing greenhouse gas emissions. As a result, provincial and territorial governments must implement complementary policies. Let me give you just one example: regulating GHGs in passenger vehicles, meaning regulating the energy efficiency of those vehicles. Without that, manufacturers are going to continue to spend billions of dollars in advertising so that they can sell us huge vehicles, and especially light trucks. That holds consumers hostage to fluctuations in the price of gas, as we have recently seen.

So it is essential to regulate the energy efficiency of vehicles and light trucks. This is a measure that complements the carbon pricing. The debate about carbon is not a new one. We have been talking about it for a very long time, at least since the 1990s. Consensus has been established in a number of ways. In 2008, the federal Conservative Party at the time adopted a climate change plan entitled "Turning the Corner", which proposed setting a price on carbon.

● (1555)

Of course, my colleagues have already spoken about the provinces that have since set a price on carbon themselves. So we have some convincing examples.

I also want to emphasize that Canada's target for 2030 was set by the previous government.

I will close by saying that we feel that it is important for a carbon price to be part of a comprehensive climate change plan for Canada. For that reason, we support the bill before you.

Thank you.

[*English*]

The Chair: Thank you very much, Mr. Ribaux.

I'll turn now to Mr. Saul, executive director of Nature Canada.

Welcome.

Mr. Graham Saul (Executive Director, Nature Canada): Thank you.

Mr. Chair, members of the finance committee, my name is Graham Saul. I am the executive director of Nature Canada.

First, I'd like to acknowledge that budget 2018 represents a historic federal investment in nature conservation. Nature Canada is truly excited about the promise of expending the $1.3 billion prudently over five years to reverse the decline in biodiversity in Canada and to establish managing protected areas and recovering species at risk. Thank you to everyone who played a role in supporting those provisions.

On the subject of the greenhouse gas pollution pricing act, I think it's worth remembering that it was 26 years ago, in May of 1992, that Canada signed the United Nations Framework Convention on Climate Change. It has been more than 25 years since Canada first promised to reduce its greenhouse gas pollution, and we've barely begun to follow through on that promise.

And it was about 14 years ago that former Liberal prime minister Paul Martin first announced plans to put a price on greenhouse gas pollution by creating a market for emission reductions in all sectors of the economy, and it never happened. Then, in May of 2008, almost exactly 10 years ago today, Conservative federal environment minister John Baird called carbon trading "a key part" of the government's new Turning the Corner plan to reduce greenhouse gas emissions.

Later on that year, also in 2008, the Conservative government of Stephen Harper won a minority mandate with a campaign that clearly pledged to develop and implement a cap-and-trade system for greenhouse gases and air pollution, and it never happened. Then, in 2015, Canadians supported a Liberal election platform that made a clear commitment to put a price on greenhouse gas pollution, and here we are today.

What are just a few of the things that have been happening in the meantime? The city of Calgary had two 100-year floods in only eight years, the most recent of which, in 2013, resulted in $6 billion in financial losses and property damage. In 2016, two years ago this May, almost 90,000 people were evacuated from wildfires across Fort McMurray, and thousands of homes were reduced to ashes. According to the Insurance Bureau of Canada, the Fort McMurray wildfire became the costliest insured natural disaster in Canadian history, with an estimated $3.77 billion in claims filed by mid-November, 2016.

On this day last year, I watched as the military was called in to help deal with the fact that my hometown of Ottawa-Gatineau was flooding. The flooding caused more than $220 million in insurable damages. A couple of months later, I spent a few weeks in British Columbia as the worst recorded fire season in the history of the province unfolded. More than 1,300 fires burned more than 1.2 million hectares, displacing 65,000 people from their homes and costing B.C. over $500 million. The wildfire season included the longest state of emergency in the history of British Columbia, lasting a total of 10 weeks.

Now, all we have to do is look east to the tragic situation unfolding in New Brunswick. As Premier Brian Gallant put it:

> We are seeing weather events like we have never seen before. This is most likely going to end up being the largest, most impactful flood that we have ever recorded here in New Brunswick....

I've been asked to comment on what I think about part 5 of Bill C-74, which enacts the greenhouse gas pollution pricing act and makes the fuel charge regulations. I think this is a policy that we should have adopted at least 10 years ago. I think we need to use all the tools in the tool box, including carbon pricing, to finally move this country in the right direction. We need to stop fiddling while places like New Brunswick drown. We need to stop fiddling while places like British Columbia burn.

Canadians have consistently voted for leaders who have promised to take action to fight climate change, and now we need to stop playing politics with what is quickly becoming a life-and-death issue for communities and species across Canada and around the world. We need to position Canada to be a leader in the economy of the 21st century, and putting a price on greenhouse gas pollution is part of that process.

● (1600)

We need to position Canada to be a leader in the economy of the 21st century, and putting a price on greenhouse gas pollution is part of that process.

More importantly, we need to finally send a signal to our children and grandchildren that we are prepared to invest in solutions instead of turning our back on the problems and letting them deal with the resulting damage.

Thank you.

The Chair: Thank you very much, Mr. Saul.

Given that everybody held their remarks fairly tight, we can go to our regular rounds of the first four at seven minutes apiece.

Ms. O'Connell, you're first.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, all, for being here.

I'm going to start with you, Mr. Kenney. In all of your years in the House of Commons you never once acknowledged that climate change exists, so I have to ask. Do you accept the science and acknowledge that climate change is real and is caused from human activity?

Hon. Jason Kenney: Yes, yes, and yes.

Ms. Jennifer O'Connell: Right. I'm so glad you're there finally because you then tweeted and said that carbon dioxide is as natural as water and oxygen.

Do you actually believe that oxygen is as harmful to the environment as carbon dioxide?

● (1605)

Hon. Jason Kenney: An extreme excess of any natural element can be injurious to human health. I stand by that plainly scientific statement.

Ms. Jennifer O'Connell: You talked about Albertans being there and knowing that climate change is real, and we have to get there, but you, being part of the Harper Conservatives, did nothing to actually put forward a plan to deal with climate change.

You're asking this committee to take you as a credible witness to talk about the economy, but as a minister under Stephen Harper you failed our economy while not protecting the environment.

Why should we believe in what you're saying now? Why should we not take action?

Hon. Jason Kenney: I reject the premise of the torqued question, Mr. Chair. I would ask in response if the member and her government feel this strongly, why don't they have the courage of their convictions and just admit to Canadians that what they really want is a carbon tax of at least $300 a tonne? Why don't they admit that this is just a frog in the pot? They are trying to get people used to the idea of punishing folks for simply driving to work and living normal lives.

I can tell the member my job is to represent the majority of Albertans, two-thirds of whom oppose carbon taxes and don't believe giving politicians more money is a solution to environmental challenges.

Ms. Jennifer O'Connell: Then, Mr. Kenney, what's your plan in dealing with this? Are you expecting Canadians and farmers and municipalities to deal with climate change on their own? We heard about 100-year storms happening more regularly. You have no plan to help municipalities deal with that. What's your plan, or should farmers just adapt to crop cycles being changed on a regular basis, and storms, and wildfires, and the continuation of floods? Why would you suggest that you leave Canadians and Albertans out on their own to deal with climate change when we know the impacts are real? Why don't you acknowledge the cost of inaction, as was rightfully pointed out by Mr. Saul's testimony?

Hon. Jason Kenney: There are several questions there. I am standing in defence of farmers, for example, who are facing massive increases in the cost of doing their business as a result of this bill of this proposed Liberal carbon tax. There are 49,000 farms in Alberta, and the current carbon tax in Alberta at $30 a tonne will cost upwards of $182 million a year. The federal department of agriculture says that the national carbon tax will cost farmers $3,705 on average when implemented at $50 a tonne.

Perhaps Liberals think costing farmers an extra $4,000 a year is helping them. I happen to think it's hurting them.

Ms. Jennifer O'Connell: Mr. Kenney, you come with the statistics on what you believe the costs will be, but until we implement the full plan and know how each province and territory is going to move forward with that implementation, we don't actually.... What you don't come here with is any information on what you're going to do for the costs of Canadians, or Albertans in your case, of inaction.

What do think Canadians or municipalities are going to do without partners in government that are preparing and dealing with the mitigation that climate change and these effects will come forward with?

Hon. Jason Kenney: The estimate of this bill costing Canadian farmers $3,700 a year is not my belief. It is the estimate of the department of agriculture of the federal Liberal government in the memo that they published on January 17, 2017. I'm only making reference to this government's estimate, and in terms of other costs to consumers—

Ms. Jennifer O'Connell: Can you answer my question about the inaction?

Hon. Jason Kenney: Could I just finish one sentence?

Ms. Jennifer O'Connell: Why won't you answer the question?

The Chair: Ms. O'Connell, Mr. Kenney has the floor.

Hon. Jason Kenney: I'm trying to be brief, Mr. Chair. If the member is concerned about a lack of estimates then perhaps she could ask her own government to be forthcoming with Canadians and to stop hiding the real cost of the carbon tax. I understand the official opposition here has made several motions asking the government to release all relevant documents and estimates about the cost impact on Canadians of the carbon tax, and it's up to the government to be transparent about that, not the opposition in Alberta.

Ms. Jennifer O'Connell: Mr. Kenney, you're coming here as a witness. What's your plan? Why won't you answer the question about the inaction that you and the Harper Conservatives took for this country for so long, and which you want to continue. What's your plan to deal with climate change ? What's your plan to meet the Paris target? You come here and you don't actually offer any insight into your plan, or what you think Canada should do to deal with climate change. Inaction is not going to solve anything. The Harper Conservative plan did nothing and it did not grow our economy. What plan are you proposing that Canada goes forward with to meet our Paris Agreement target and grow the economy?

● (1610)

Hon. Jason Kenney: Firstly, to correct the record, Mr. Chair, the previous federal government did have the best growth record in the G7 following the 2008 crisis.

Ms. Jennifer O'Connell: You're making up your own facts.

Hon. Jason Kenney: Secondly, Mr. Chair, with respect to an alternative plan on the environment in Alberta, we'll be releasing a comprehensive plan in our platform for the next year's election. It might very well include a return to the specified gas metre regulations, which imposes a cost on major emitters to support research and development, science and technology. I believe the solution will be found in thousands of technological advances as opposed to punishing—

Ms. Jennifer O'Connell: Isn't the real point that you have no plan?

Hon. Jason Kenney: —consumers for simply living ordinary lives. Mr. Chair, I find this line of questioning peculiar. The member doesn't seem to acknowledge that there is no expert advice that a $50 carbon tax gets anywhere close to achieving the Paris climate conference targets.

Ms. Jennifer O'Connell: Apparently you weren't paying attention.

The Chair: Ms. O'Connell.

Hon. Jason Kenney: I have one last sentence. According to Environment Canada, the carbon tax would need to be $300 a tonne by 2050 to achieve the same target. I gather that's the member's position. I hope she'll run on that in the next election.

The Chair: We'll have to end that first round of discussion there. Maybe some of the other people at the table can explain this to me. I understand that under the federal piece of legislation farmers are exempt. I believe there's a marked gas exemption in Alberta, like there is in P.E.I. I'm just not sure. Can somebody explain to me what happens with the farm community? I've been saying they're exempt under this piece of legislation. Am I wrong?

Dr. Andrew Leach: Mr. Chair, if I may? You're correct that under division 2, subdivision A, clause 2, charges are not payable on farm-marked fuels, but that exemption would not cover other fuels used on the farm, principally natural gas used for heating. So there's an exemption of your coloured fuel—or purple gas or whatever you want to call it—but not of the natural gas or other fuels used on the farm.

The Chair: That's what we call it at home: purple gas.

We have Mr. Poilievre for seven minutes.

Hon. Pierre Poilievre (Carleton, CPC): Thank you very much. I'll start with Mr. Kenney.

Mr. Kenney, you were part of a government that in addition to presiding over reduction in greenhouse gases also reduced the tax burden on Canadians and had the strongest economic growth in the G7, all simultaneously. Do you believe it's possible to have a reduced tax burden at the same time as making progress on protecting the environment?

Hon. Jason Kenney: Yes, absolutely. I think that is the emerging consensus globally. This is why the Liberal government in Australia repealed the carbon tax. I would point out the Australian Labor Party, which initially introduced that, has also given up on the carbon tax because they realize it's all economic pain and no environmental gain. The voters in the greenest state in the U.S., Washington, reflected that in a recent referendum, as did the last French socialist government in deciding not to proceed with increases in a national carbon tax. I can only speak for what polls suggested the vast majority of Albertans believe, that punishing people for simply consuming energy in a cold northern climate is not an effective climate or environmental strategy. Their emphasis right now, with 156,000 unemployed people, is to get our economy moving again, partly by reducing the tax burden rather than increasing it.

Hon. Pierre Poilievre: It has increased at the federal level; 80% of middle-class taxpayers are paying higher income taxes today than when this government took office, on average $800 more. That number is expected to rise to 92% of middle-class taxpayers paying roughly $2,000 more according to calculations by the Fraser Institute. None of those calculations actually include the burden of the carbon tax.

Speaking of the tax burden, Mr. Beugin, you said that the damage the carbon tax will do to the economy can be mitigated if the revenues are used to reduce corporate and income taxes. Recently we learned that British Columbia is now collecting more in carbon taxes than it has reduced in income tax and corporate taxes. Can you tell me of another Canadian jurisdiction, then, that has offset the carbon tax revenues with an equal or larger number of income tax and corporate tax reductions?

● (1615)

Mr. Dale Beugin: There are no examples so far. That being said, the previously proposed Ontario plan, before the change in leadership, would have included a fully revenue-neutral carbon pricing policy with revenue used to reduce taxes.

The Manitoba plan is also exploring that possibility.

Hon. Pierre Poilievre: Right, so—

The Chair: I'm not taking up your time there, Pierre, but if anybody else wants to respond to some of these questions, raise your hand and I will catch you as well.

Pierre, you're on and I'm not taking from your time.

Hon. Pierre Poilievre: This is our principal preoccupation. As Conservatives, we believe in reducing the tax burden, but that never seems to happen. British Columbia was supposed to have been the example of where the government would offset higher carbon taxes by lowering income tax and business taxes. Now the government is winning and taxpayers are losing in that province.

In Ontario, not only is the government collecting vastly more through its cap-and-trade tax system than it's giving back in tax relief —in fact, it's not giving any tax relief—but the money is being spent on programs that disproportionately help privileged and wealthy insiders. If you're a working-class single mother in Ontario, your gasoline bills go up, but if you're a multimillionaire who can afford to buy an electric Tesla, then the provincial Liberal government has got just the rebate for you, a $15,000 rebate. It is definitely a wealth transfer from working-class people to the super-wealthy. That doesn't even take into consideration all the corporate welfare programs that are typically funded under the guise of green handouts to business, all of which also take from the working class and give to the privileged few.

As you just pointed out through your answer, there isn't a single jurisdiction in all of Canada that has returned the revenues from the carbon tax to income taxpayers and business taxpayers.

Mr. Kenney, do you worry about the impact that these taxes will have on low-income families?

Hon. Jason Kenney: Yes, absolutely. If people who are the most vulnerable...and, of course, the proponents of carbon taxes say that is offset by rebates. One of the problems with carbon taxes, unlike other forms of consumption tax, is that the costs of them cascade down through the economy and hit average people the hardest.

What has effectively happened in Alberta is that they've taken, in part, a tax that was on the major oil companies that produce emissions and now impose it on ordinary people through the carbon tax.

Mr. Beugin actually said that was a feature. I think it's a bug. He pointed out that global multinational oil companies like the NDP carbon tax because they don't have to pay for their own emissions. The consumer does. It gets pushed down through the economy.

I was surprised to see parties of the left now supporting a regressive form of taxation, which imposes a disproportionately large burden on lower-income people.

Hon. Pierre Poilievre: And on that—

The Chair: I believe Mr. Leach wanted to respond.

Hon. Pierre Poilievre: My question was directed at Mr. Kenney. Is this going to come off my time?

The Chair: I know. We'll save your time.

Mr. Leach.

Dr. Andrew Leach: Yes. I'd be very interested to see any evidence to suggest that the Alberta policy imposes a large burden on lower-income individuals. Statistics Canada certainly disagrees with that. If you look at the 2017 data, it showed that over 40% of Albertans were made better off. The bottom 40% by income remain on average better off by the combination of the carbon tax and rebates, including the indirect effects that Mr. Kenney mentions.

Then, if you look at the 2018 data, before any adjustments to the credit that I'd like to see forthcoming, you're still looking at about 35% of Albertans, the lowest 35% of Albertan households by income, who are made better off. That's Statistics Canada's data or their SPSM model. That's not something that's made up. You're entitled to an opinion, but not your own evidence.

● (1620)

The Chair: I don't want to get into a debate in the left-hand corner, but Jason, go ahead.

Hon. Jason Kenney: I would invite Professor Leach to join me. I'll take him out on the road for a day or so, and we can visit some charities and non-profits that are barely hanging together, and on which this is imposing massive additional costs.

Perhaps he'd like to be part of the fundraiser that the Sundre Seniors Centre now has to hold, so that low-income seniors can pay the growing carbon tax bill for which they get no offset or credit. There are huge gaps in how this addresses the cost burden on low-income people.

The Chair: Mr. Poilievre, last question.

Hon. Pierre Poilievre: Mr. Kenney, your province has had a reduction in investment as a result of numerous policies, but I suspect this carbon tax has not assisted. When large multinational oil companies leave Alberta, and invest and produce in other jurisdictions around the world, does that reduce the overall global emissions of greenhouse gases? Have you seen examples of this happening in the last couple of years?

Hon. Jason Kenney: We estimate that in the last two years nearly $40 billion of capital has been reallocated from Alberta's oil and gas sector to similar sectors in other jurisdictions that do not have carbon taxes, like Colorado, North Dakota, west Texas, Kazakhstan, Iran, and other oil and gas producers around the world.

I would further point out that the carbon tax was sold to Albertans as something that would produce so-called social licence, that it would move the opponents of pipelines and our energy industry to become proponents and supporters. I have not been able to identify, and nor has the NDP government, a single government, political party, environmental organization, or other major stakeholder that has moved from opposing pipelines to supporting them as a result of punishing Albertans for heating their homes in the winter.

The Chair: Mr. Dusseault, for seven minutes.

[*Translation*]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

My thanks to all our witnesses for joining us today.

My first question goes to the Hon. Mr. Kenney. A number of people, mostly Conservatives, if truth be told, will tell us that an economic apocalypse awaits us if we decide to adopt a carbon tax. We have been asked to express an opinion on that issue as we study Bill C-74.

Can you share with us any data at all on the issue, or tell us a country where it has had a negative effect on the economy? Can you give me an example to support the argument you are putting forward?

Hon. Jason Kenney: Certainly.

Australia is one example. That is why Australia's Liberal government withdrew the carbon tax and the country's Labour Party supported the decision.

People in Australia have the impression that it did not allow the environmental objectives to be achieved and that it hurt the country's economy.

Mr. Pierre-Luc Dusseault: So there is economic data to show that it is possible to establish a cause-and-effect link between the price of carbon and lower economic indicators. Is that correct?

Hon. Jason Kenney: Yes.

I will also say, if Albertans believed that the carbon tax would help with economic growth, I imagine that most of them would have supported a tax of that kind. The fact is that two-thirds of Albertans are constantly opposed to the carbon tax.

Mr. Pierre-Luc Dusseault: Okay.

I have one last question for you.

In your last comments, you referred to a cause-and-effect link between the carbon tax and an increase in the needs for community organizations and food banks, needs, that is, for social assistance.

Do you have any data to show that there really is a cause-and-effect link between the price of carbon and an increase in social needs?

● (1625)

Hon. Jason Kenney: Yes.

That is just common sense. When the cost of heating homes, buildings and facilities increase because of the carbon tax, it is very difficult for small organizations, not-for-profit organizations, charitable organizations, and even for schools.

The Calgary school board made cuts of $1 million in its daycare programs, and the cost of the carbon tax for that school board was also $1 million per year. School boards and not-for-profit organizations are clearly feeling the pressure from increasing costs because of the carbon tax in Alberta.

[*English*]

The Chair: I'll remind people, if you want in on any of these points, to agree or supplement, that's fine.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: To change tack a little, Mr. Leach, you are from Alberta. We have barely touched on, barely scratched the surface of, the rebates provided under Alberta's policy. Could you focus your thinking and tell us what numbers that represents for the Government of Alberta?

For example, if the federal government had a similar system, using the Alberta model, what could we expect in income derived from a price on carbon and from the direct investments in the economy by consumers and residents, or by other initiatives in the green policy?

Dr. Andrew Leach: Thank you for the question.

The figures I have at the moment indicate the impact on individuals and families. In Alberta, for example, we see that, for 10% of families, those earning the lowest annual income, the estimated total cost is more than $218, according to Statistics Canada figures, and the rebate is $294. In 2018, we estimate that, on average, those 10% of families, those with the lowest income, will be ahead by $76 per year because of the Alberta policies on the carbon tax. Those figures do not include the measures funded by the carbon tax. As for aggregate data, I do not have them at hand.

[*English*]

The Chair: Mr. Beugin

Mr. Dale Beugin: [*Technical Difficulty—Editor*] analysis explored how revenue recycling can address these issues for low-income households and found that using about 10% to 13% of the revenue generated from a carbon price would be sufficient to make the bottom 40% of households, in terms of incomes, as well off as if the carbon price had not been in place. That leaves sufficient revenue for all kinds of other options, including for example reusing other taxes. It points to one of the advantages of the pan-Canadian framework that gives provinces the flexibility to use revenue as they choose, whether it is to address these concerns, to remove other distortionary taxes, or to drive other benefits as they see fit.

[*Translation*]

Mr. Pierre-Luc Dusseault: So I have two versions. The first is that, using Alberta as an example, the least well-off families have on average more money in their pockets at the end of the year. According to the other version, social needs are constantly increasing as a direct result of the carbon tax. I have difficulty understanding which version is true and knowing whether there really is an impact on less well-off people.

Do others have comments to make or data to provide that could clarify the debate on the issue?

[*English*]

The Chair: Mr. Ribaux.

[*Translation*]

Mr. Sidney Ribaux: I can tell you that a number of measures can indeed be put in place to mitigate the impact of the carbon tax on low-income people. First of all, we have to understand that the most disadvantaged people use very little energy. Low-income people have no vehicles, for example, and that is true all over Canada.

Involvement is certainly needed in the area of housing. Targeted energy efficiency programs can be established. In other cases, some countries have chosen to provide energy rebates, and they literally put money back into the pockets of low-income people. So a number of mechanisms have been used by other governments, here in Canada and elsewhere, to mitigate the impact on the most disadvantaged.

Clearly, in the medium term, the impact of costs often improves when you succeed in moving from expensive energy to energy that is less expensive, for example, or in insulating houses. However, at the end of the day, we are recording clear savings, which probably explains the figures that Mr. Leach provided.

● (1630)

[*English*]

The Chair: We'll have to end it there.

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you , Mr. Chair.

Mr. Kenney, do you believe climate change is a popular delusion and a media conspiracy?

Hon. Jason Kenney: No.

Ms. Jennifer O'Connell: In that case, why did you hire a campaign manager who said exactly that—that climate change is nothing more than a media conspiracy?

Hon. Jason Kenney: I've never hired a campaign manager. We had volunteers working in my leadership campaign, and I don't know everything that all of them ever said.

Ms. Jennifer O'Connell: So you definitely don't agree that climate change is a media conspiracy or hysteria?

Hon. Jason Kenney: I definitely already answered that question with a clear no.

Ms. Jennifer O'Connell: Then why did you also say that there's a legitimate range of perspectives around the role of humans in climate change? Are you saying there's merit to the argument or the question about whether human activity is the cause of climate change?

Hon. Jason Kenney: No.

Ms. Jennifer O'Connell: Then why do you say these things? Do you say these things just for political attention? Why do you say them, if you don't think they're true? How do I know that what you're saying here today is true if you say one thing and deny it later?

Hon. Jason Kenney: Mr. Chair, the member quoted me, and then asked a different question. I stand by what I said. There is a debate about the precise degree to which there are anthropogenic causes behind climate change, but I agree with the scientific consensus that there are very significant anthropogenic causes of climate change. I've already addressed that clearly.

Ms. Jennifer O'Connell: I have to tell you I'm really happy to hear you say that here today, except that you keep contradicting yourself on Twitter or in speeches to your base. You have also said that there is no connection between large-scale weather events and broader climate change issues.

Do you think there's a link or not?

Hon. Jason Kenney: Mr. Chair, on these questions generally I defer to expert opinion.

Ms. Jennifer O'Connell: Then why are you speaking about them in public in this manner? Should we believe you now, or should we believe the Jason Kenney of Twitter?

Hon. Jason Kenney: Mr. Chair, I've always been consistent. I accept the broad scientific consensus on these environmental questions. The economic consensus is that if you want to achieve Paris climate targets, you need a carbon tax of at least $300 a tonne. Canadians don't support—

Ms. Jennifer O'Connell: So you agree with a price on pollution.

The Chair: Ms. O'Connell, Mr. Kenney has the floor.

Hon. Jason Kenney: I am trying to be very brief with my answers, Mr. Chair.

Ms. Jennifer O'Connell: So brief that there's no answer.

The Chair: Ms. O'Connell, he has the floor.

Hon. Jason Kenney: I'm offering very direct "yes" and "no" answers, instead of trying to rag the puck.

Mr. Chair, what I'm trying to articulate here is that I agree with the majority of Canadians that punishing people for simply living normal lives, for driving to work, filling up their gas tanks, heating their homes, running their small businesses and non-profits, is not justifiable. It is not an effective environmental strategy.

I wish the proponents of these taxes, around this table and on the government side, would be honest and forthcoming and have the courage of their convictions and admit that what they want is a carbon tax in the range of $300 a tonne, which would have a massive effect on people's disposable incomes and the cost of living.

The Chair: Mr. Marshall wants in.

Ms. Jennifer O'Connell: Is this taking from my time?

The Chair: No. As with everyone else, I will give you the time.

Mr. Dale Marshall: We published a report that showed that Canada could reach its climate commitment. It would require a number of different policies, including a rising carbon price that would reach somewhere in the neighbourhood of $90 a tonne by 2030. It also involved other policies, of course.

We came clean with it by publishing it. Of course, we are going to have to continue to implement policies with the greatest rigour and urgency in order to reduce emissions. That is the study I cited before, which showed that the Canadian economy would grow by at least 38% between now and 2030 with those policies in place.

● (1635)

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you.

Mr. Kenney, your MLA, Angela Pitt, wrote in an email, "Climate changes all the time. Co2 has very little impact on temperature changes. The science has changed on this topic many times."

Now, Mr. Kenney, you're here and you're acknowledging that climate change is real, which I'm very pleased to hear you say, but when the voices that make up your party are indifferent to and in denial of science, how can Canadians expect that you're a credible voice to grow the economy and protect the environment?

Hon. Jason Kenney: Mr. Chair, in terms of being a credible voice, that will be up to Alberta voters to decide about a year from now. According to current polls, the party I represent has about a 35-point lead in voter intention in Alberta, in part because—

Ms. Jennifer O'Connell: But you're here asking us—

The Chair: Ms. O'Connell—

Hon. Jason Kenney: The member's asking a political question about our political credibility. I'm offering a political answer, which is that consistently, in public opinion polls the majority of Albertans support the party that I lead. We'll see if that holds through to the next election. We do not see a concomitant support for the carbon taxes that the member is trying to impose on Canadians with this bill.

Ms. Jennifer O'Connell: Mr. Chair, at the end of the day, the credibility in questioning is Mr. Kenney's. He says one thing on Twitter, he says another thing to his base at conventions, and then he comes to this committee and says something different. He denies basically the very comments that he made.

I think that this committee has to take this very seriously in the sense that Mr. Kenney is alone on this panel and unlike many Conservatives when it comes to pricing pollution. I don't think we can trust, after the last 10 years, the Conservative government or Conservatives with growing the economy and protecting the environment. They have no plan. Harper's Conservatives had no plan. Mr. Kenney has no plan. He says he'll release it later, but then why come here and not provide the details?

Hon. Jason Kenney: I just have a question, Mr. Chair.

Ms. Jennifer O'Connell: Sorry, this is my seven minutes.

The Conservatives continue with their denial of science and denial of the facts. They like to make up their own facts, but have no plan, and I think, since Mr. Poilievre talks so much about this, that, if you had a plan, you'd provide it. It's going to be the same old Conservatives like under Stephen Harper doing nothing to grow the economy, not protect the environment, and leave Canadians on their own to deal with the damage.

I think the real cover-up here is the Conservatives' climate plan cover-up, and I would love for them to stand by their convictions and come forward with an actual idea. That's the cover-up. Just be honest with Canadians. Tell them you have no plan.

The Chair: We'll have to end it there and give Mr. Kenney the opportunity....

You know how this place works, so I'll give you the opportunity to respond.

Hon. Jason Kenney: Thank you, Chair.

The Chair: Then we'll go to Mr. Kelly.

Go ahead.

Hon. Jason Kenney: Thank you, Chair.

Ms. O'Connell has a firm grasp of the obvious in identifying me as being alone on this panel in opposing carbon taxes. Happily, I'm not alone amongst Albertans, two-thirds of whom oppose carbon taxes, and I would invite anybody who believes that Canadians buy the notion that punishing consumers is a good economic environmental strategy to put that proposition to voters on the ballot. We'll be doing that next year in Alberta, and I am very confident in the result.

The Chair: Thank you.

Mr. Kelly, we're down to five-minute rounds.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you, Mr. Chair.

We've witnessed something extraordinary at this committee. We saw difficult questions put to a witness who is a parliamentarian, and the parliamentarian actually answered them. He was asked a series of yes-or-no questions that he answered. He provided an answer to every one of Ms. O'Connell's questions.

I contrast that with what happened here, for example, last Thursday, when the Minister of Finance was at the table and was asked repeatedly by Mr. Poilievre about supplying evidence that had been redacted resulting from an access to information request. He was asked repeatedly to end the cover-up, and was asked repeatedly, "What will the cost to ordinary families be for this federally imposed carbon tax?" We did not get any answers, not even an attempt at an answer, so I applaud Mr. Kenney for answering questions at committee. We don't see that very often here.

My question to Mr. Kenney is this. You've spent the last two years campaigning, and it's extraordinary what you've accomplished in uniting the Conservative movement, winning the leadership of that new party, and then winning a by-election. During all of your interactions with regular Albertans, can you relay to this committee some of the feedback that you heard from ordinary Albertans about what they think of the policies of this federal government specifically with regard to the carbon tax?

● (1640)

Hon. Jason Kenney: I've done nearly 1,000 events, and I have met tens of thousands of people in every walk of life and from every background across my province in the past 20 months. I have found overwhelming and passionate opposition to the carbon tax but also hostility to our energy industry, which, of course, has not only been a key engine of Canada's prosperity in recent decades and Canada's most important export product but has also been hugely important to Alberta's economy. Through their federal taxes, Albertans contribute a net amount of about $20 billion a year to fiscal federalism, with much of that fiscal capacity generated by the energy sector. Albertans don't understand the approach of bottlenecking our resources and punishing people for living ordinary lives through policies like the carbon tax.

This has real effects on people's lives, which is why consistently two-thirds of Albertans have indicated opposition to the NDP carbon tax in our province. The Ecofiscal Commission, which is Mr. Beugin's organization, said in a recent report that a rising carbon price is so important that a carbon price of $100 per tonne won't force actions that cost $200 or even thousands of dollars per tonne. I understand that Professor Leach has said—and you can correct me if I'm wrong—that what you need is a more or less $200 tonne carbon price, an expensive retrofit strategy, and a lot of other strategies. The Laurier Centre for Economic Research and Policy Analysis has said a significant hike is needed to achieve emissions targets. A 10% reduction in emissions over seven years would require $175-a-tonne levy. The Department of Finance said on February 24, 2017, "The overall approach will be reviewed by early 2022 to confirm the path forward, including continued increases in stringency"—meaning the tax rate—in future years. Environment Canada's March 30, 2017 memo said the carbon tax would need to be $300 in 2050.

The Chair: I'll have to cut it there, or else Mr. Kelly is not going to get in his second question.

Hon. Jason Kenney: Sorry.

The Chair: Mr. Beugin wants in as well.

Go ahead, Mr. Kelly.

Mr. Pat Kelly: I would quickly ask if you've heard from municipal leaders who have pointed out the budgetary constraint that the carbon tax puts onto their operations, operations like heating buildings, running buses, running police cars, and all of the things that municipalities have to do.

Hon. Jason Kenney: Both the Alberta Urban Municipalities Association and the Alberta Association of Municipal Districts and Counties have passed resolutions opposing the current government's policy.

The Chair: Mr. Beugin, go ahead.

Mr. Dale Beugin: Just because Mr. Kenney raised the report, I wanted to clarify that the point of a carbon price is to avoid regulations that impose those higher implicit carbon costs. Those high costs that Mr. Kenney alluded to would be potentially imposed by regulatory policies, by non-pricing policies that could be used instead of carbon pricing. The point of carbon pricing is to focus on low-cost emissions reduction, thus avoiding high-cost ones.

The Chair: Mr. Fergus, go ahead.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

I would like to thank all the witnesses here today. I appreciate their comments.

Of course, there are some of you whose opinions I share more than others, but that is perfectly fine and normal.

[*English*]

Professor Leach, simply put, there are costs to doing things, but certainly there are also costs to not doing things. Doing nothing is rarely free. From your perspective in regard to putting a price on carbon, which is more expensive to the people of Alberta: putting a price on carbon or not?

Dr. Andrew Leach: It's a tough question to answer with hard evidence. I say that because part and parcel of acting on climate change when you're an economy like Alberta, which is exposed to the global investment climate, which is exposed to the global market, is, on the one hand, making sure that you maintain our competitiveness, and, on the other hand, making sure we maintain access to capital. I direct you to comments by Mark Carney from the Bank of England as a primary example of this. Mark Carney has stated that companies, lenders, insurers, and all of the finance areas, which are so important to an open economy like Alberta's, have become much more concerned with the question of climate change.

As other members of this panel will certainly know, in Alberta, we've fought against misinformation campaigns against our industry, etc. A lot of those campaigns were rooted in a perception that Alberta's economy was incompatible with action on climate change. Instead of stepping forward to say that we could not act on climate change because of our industry, we were able to step forward to say that our industry can act on climate change, why can't yours? We put that challenge forward to the world, and we're seeing that play out now, obviously with some roadblocks and speed bumps. That is something for which you can't necessarily go back with hindsight and say what would have happened without action, although I think action was imperative for Alberta.

● (1645)

Mr. Greg Fergus: On that front then, Professor Leach, globally for Alberta, for Canada frankly, because Alberta's success will be Canada's success, how significant is this opportunity for clean growth, clean technology, and clean innovation that would result from putting a price on carbon?

Dr. Andrew Leach: Part of the idea of the price on carbon is enabling entrepreneurship, and this is a story we see every day in Alberta. I have students in my classes every year whose family success story is related to something you'd never read about in the news. It's figuring out a better valve, a better coiled tube insulation, some technical solution in our oil and gas sector, our electricity sector, or our technology sector that creates an opportunity for them. Instead of a large government deciding it knows what's best for this refinery, for this oil sands operation, etc., carbon pricing puts out the market for these clean technical solutions and tells them to figure it out, and if they do there's a giant market here for them to do that. So rather than having it be a big government solution it's a small market solution.

Mr. Greg Fergus: Following your testimony just now—and this is relating to testimony that we've heard from other witnesses—some will say that British Columbia's price on pollution has not reduced emissions at all. I know you've researched this question along with other academic experts and environmental economists. What does the evidence say about the performance of B.C.'s price on pollution?

Dr. Andrew Leach: I think my Ecofiscal Commission colleague highlighted that in his opening, but the evidence suggests that B.C.'s emissions would be 5% to 15% higher than they are, had it not been for the imposition of the carbon tax and the associated revenue recycling policy. B.C. has benefited from economic growth partly because of its low tax environment. Some of that has offset the aggregate emissions gains that would have come from simply imposing a carbon tax and doing nothing with the dollars, but that's a good thing; that's what we want; we want economic growth, but the emissions are lower than they otherwise would have been by a significant margin.

[*Translation*]

Mr. Greg Fergus: My question goes to Mr. Ribaux.

Quebec has decided to be a part of the carbon market, and that is a good thing.

In your opinion, and according to your research, how will that benefit the economies of Quebec and of Canada in terms of innovation?

Mr. Sidney Ribaux: We can say that the economy of Quebec is doing very well. If we look at the indicators, such as the employment rate, we can state that it has practically never done as well. In those conditions, I do not believe that establishing the carbon market had a negative impact on the economy. In fact, the effect is actually positive, even though the challenge for Quebec is greater, in one sense.

Actually, there has been no simple, easy reduction in Quebec because the electricity sector is completely "decarbonized". This means that the areas we have to tackle in order to reduce greenhouse gas emissions are more difficult. I am talking about transportation and industry, to a certain extent, although, in recent years, industry has done more than its share to reduce greenhouse gas emissions. The impact is positive in the sense that we are succeeding both to reduce emissions and to maintain a healthy economy.

● (1650)

[*English*]

The Chair: Thank you all.

I'm turning to Mr. Kmiec.

Mr. Tom Kmiec (Calgary Shepard, CPC): Thank you, Mr. Chair.

Almost half the questions here could have easily been answered if the government would stop covering up the true cost of the carbon tax to low-income Canadians. Affordability is the number one thing I always hear about, and affordability or any form of taxation is a great question, but especially the carbon tax because it punishes those at the lowest income scale. It's a tax on everything. I know Mr. Kenney and others on the Conservative side all across the country have used this terminology: It's a tax on the essentials of living, and that's what it is.

The government keeps talking about people needing to make better choices. I have an arena in Erin Woods in my riding and when the carbon tax was introduced provincially it punished the families who used the arena through higher fees, higher costs, when it came to just going out and having a day of hockey for the kids. That's the issue, and if they would stop covering it up we'd be able to have a fulsome debate on it and be able to understand the true impact it will have on every Canadian: the affordability of everyday activities, heating your home, but also just going out for a game of hockey.

The euphemism that's often used is there's a tax on everything, making better choices, but they're trying to change the behaviour of people. They don't like what people want to do, go play hockey, heat your home to a temperature that you like. That's what I hear in my riding.

Mr. Kenney, again my questions are going to go to you. Forcing the actions of people, forcing people to do what the government wants them to do, obviously you disagree with it, and obviously you've heard lots of stories from Albertans all across the province. Can you share those with the committee?

Hon. Jason Kenney: Mr. Chair, the attitude described by Mr. Kmiec was perfectly reflected by Alberta's premier, who in defending her carbon tax said that it will cause people to make better choices such as taking the bus. Well, there are millions of Albertans who don't live where there's any regular transit service, where taking the bus is not an option, where living normal lives and taking their kids to their hockey practices, picking up the groceries, and getting to work all require driving. In many walks of life, it requires driving a larger vehicle as well.

What our premier essentially told those people is that they should stop living their normal lives. This is a moral judgment on people who are not irresponsible. It punishes them if you tell them they have to turn the heat down at home when it's 30 below outside. I think within that is a desire for government to control people's lives. I think there's a fundamental philosophical difference here. I believe in empowering people to be more free, not empowering government to make people less free.

Mr. Tom Kmiec: The cover-up, the redacted mail that doesn't reveal all the information, is actually twofold, because in this bill also is the rebate program. The Alberta government already runs a rebate program. I've been trying for a very long time to get more information from the Canada Revenue Agency, which runs the rebate program. I've asked for the full information on how many rebates are paid, to whom they are paid, and how many non-residents of Alberta are getting this Alberta climate leadership adjustment rebate. It's order paper question Q-834. Every single time I've asked for information, I have not received it. They claimed it would be injurious to the relationship with the Alberta government.

Mr. Kenney, after you win in 2019, which is my hope and the hope of many of my constituents, will you commit to also releasing and backdating all the information on how the rebate actually worked in the province, rather than doing what they've done, which is covering up all information from the rebate down to the redacted memo that they refuse to release?

Hon. Jason Kenney: Yes, I absolutely will.

Thank you for the suggestion.

The Chair: Mr. Saul wanted in here as well.

Mr. Graham Saul: I think there is a fundamental philosophical difference here. That's a fair point. What do we really know? We know that those countries around the world that are doing the most around this issue—countries like Germany and Norway—are doing perfectly well economically. So the sky doesn't fall. In fact, there's evidence that you can perform very successfully economically if you take this problem seriously.

We also know that provinces in Canada, like Quebec and British Columbia, that are trying to move forward are doing perfectly well economically and are taking steps to protect the least advantaged people in their provinces in ways that many other provinces aren't.

We also know, though, that we have a serious problem on our hands. If you actually believe in the science—and I think this is where the fundamental philosophical difference comes in—then you have to draw the conclusion that it would be reckless and irresponsible to continue on the trajectory we are on today, that it would fundamentally undermine the well-being of our children, and that it would cause potentially unprecedented harm to our economy and to future generations—not to mention the fact that the poorest people in the world, those least responsible for the problem, are the ones who will suffer first and worst if we fail to take action.

The fundamental philosophical difference we have is this: do you actually care about the problem? Do you actually care about what the science of climate change is telling us or the implications of doing nothing? If you do, then the secret is very clear. When we look at jurisdictions that are actually making progress on this issue, what do they have in common? They are trying. The jurisdictions around the world that care about this problem and are doing something about it and are actually making progress on reducing greenhouse gas emissions and ushering in the clean energy economy of the 21st century, what they ultimately have in common is that they are trying.

So if everyone around this table does truly care about this problem, if we do not suffer a philosophical divide on that question, then every party around the table has a responsibility to come forward with a plan that reflects the fact that they truly want to try to address it. In the absence of that plan, it's very difficult to come to the conclusion that we do in fact share a concern about this problem.

● (1655)

The Chair: Thank you for those comments, Mr. Saul. We'll have to leave it there.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Welcome, everyone. It's been a very informative and spirited conversation this afternoon.

I have a couple of things. I keep hearing about the economy. I know that, for the residents of my riding, the economy is the most important thing, ensuring people have a good future and a bright future for their children.

As someone who's followed the economy for over 20 years of his life—and Mr. Leach, I've read a lot of your material, along with the materials of my alma mater professor, Mark Jaccard over at Simon Fraser University—I think about where our Canadian economy is, with 85% of the provinces now operating under a pricing of carbon or some sort of mechanism. We're doing quite well, and this was affirmed last week. A.T. Kearney came out, and Canada is the number two place in the world for preference of foreign direct investments.

Mr. Kenney and I visited the beautiful province of Alberta. I am originally from the west coast. We visited the Alberta industrial heartland. Seeing the number of investment decisions that have been made in the polypropylene and propylene businesses that IPL has announced and so forth and the number of opportunities there, we know there is just phenomenal activity going on in that area of Alberta.

I covered the oil and gas sector. I'm not asking questions; I'll get there in a second.

To Mr. Leach, the question I have is this. If you look at the empirical evidence, and you look at where industry is going.... Look at Daimler in Germany, where they're switching their entire fleet of dregs or trucks, the ones you see on the Alberta highways and on the Ontario highways, to electric. They understand.... Mr. Kenney alluded to ragging the puck. I like the analogy of knowing where the puck is going and making sure you're there. That's the analogy I use.

To Mr. Leach, innovation, yes, but we need a mechanism for pricing carbon to get at the root of the issue.

Dr. Andrew Leach: Agreed. I guess if you have a couple of Albertans at the table, you need a Gretzky reference.

I can say over and over that, if you want a program that does what we talked about today, which does not necessarily materially increase the size or role of government and rewards entrepreneurship, you really have a couple of choices here.

One is putting government funding toward direct funding of innovation. The other is creating a market for those innovations and letting our entrepreneurs take care of it. The economic evidence comes back over and over again that carbon pricing creates more incentives for innovation than do other policies at our disposal.

Mr. Francesco Sorbara: Exactly.

I'm an economist by trade. All I care about is whether Canadians are working and doing well.

What I know today is that the unemployment rate is at a 40-year low. We've created nearly 600,000 new jobs. We're introducing the Canada workers benefit. We ran on a platform of putting a price on carbon nationally, but the beautiful thing about this is that each province can decide what to do with those revenues.

I am in favour of a revenue-neutral carbon putting a price on carbon, absolutely. B.C. adopted it a very long time ago, and they've done phenomenally well.

I understand the difference between correlation and causation. I get that, but at the same time.... I do want to hear this. B.C. emissions, if you want to say bend the curve, have been bent with the introduction of a price on carbon.

Perhaps you could refer to that, please.

● (1700)

Dr. Andrew Leach: Sure.

You come back to the question of revenue neutrality, or how I prefer to think about it is, are we increasing or changing the overall size of government?

There's really one policy on the table that will allow you to both implement strong incentives for green innovation and keep the size of government the same or smaller, which is to implement a carbon price that you, then, refund through credits or lower taxes. That's certainly a policy option that's on the table.

The alternative is large government-funded subsidies, regulatory initiatives, etc., which increase the size and the role of government in solving this problem.

Mr. Francesco Sorbara: I'll go to Mr. Kenney.

Hon. Jason Kenney: I'll just jump in really quick on that.

The theory is great; the reality is something completely different.

The NDP government in Alberta has announced that, as it increases its carbon tax from $30 to $50 a tonne to comply with this bill, there will be no incremental increase in rebates, so the supposed progressivity.... There will be no offsetting tax cuts. There have been no reductions in regulations.

In terms of the theory that you hear that there will always be rebates, there will always be proportionate tax cuts, and there will always be a reduction in regulations, the opposite is happening in the real world of Alberta today.

Dr. Andrew Leach: If we want to talk about practice versus theory, you brought up the specified gas emitters, which is a carbon price on large emitters where the funds are not revenue neutral. They went to a government-sponsored fund, very similar in design to the Turning the Corner plan that was proposed during your time in government, one of the many carbon pricing systems proposed during that time. That's something that does not offset other taxes. It does not reduce the size of government. In fact, it puts a quasi-governmental organization in the role of allocating funding to whichever winners it chooses.

Hon. Jason Kenney: I appreciate Professor Leach defending multinational oil companies. I wish he were as passionate in defending low-income Albertans who are now going to have to pay the carbon tax without the rebate he recommended.

Dr. Andrew Leach: That's not true at all.

Hon. Jason Kenney: How so?

Dr. Andrew Leach: [*Inaudible—Editor*]

The Chair: Okay, guys. We have a debate in the corner again.

Mr. Sorbara, the last question.

Mr. Francesco Sorbara: Gentlemen, if I can have your attention, please, I love the spirited debate. That's a great Canadian thing.

To the Ecofiscal Commission—and I apologize to the rest of the panel—you and I have spoken many times with Mr. Ragan about this. The mechanism in place to get to our Paris targets is multi-faceted. It's not just one thing. A lot of it is going to happen through innovation, through new technologies that are going to come into play. I reference what Daimler and VW are doing over in Germany with their automobiles in adopting electric vehicles.

Is that not correct? Is that not where we should see the puck going?

Mr. Dale Beugin: I think there are clear benefits to putting in policy now rather than waiting. The longer you wait, the more expensive it's going to be to drive these changes.

As to the specifics of exactly where the market is going, the great advantage to carbon pricing is that you don't need to know for sure. You can get the market right, set the prices right, and let the market respond, let businesses identify where they see opportunities. Businesses choose where they want to develop new technologies and new processes that reduce more emissions at lower cost. That's how carbon pricing works.

Mr. Francesco Sorbara: Exactly, and we want to keep the environment attractive for business to invest. We're number two in the world, just slightly behind the United States.

The Chair: Thank you all.

I want to make one comment. As I sit here and listen to this debate, I think we've had a really good discussion. Canada is going to be left out of being part of the solution if we don't address the climate change issue, but I would say to all those folks who demonstrate against our pipelines and the ability to get our resources to market, that's not a solution either.

For provinces such as Alberta and others to come on side, I think they have to see that the people in the environmental community are on side in allowing us to deal with climate change. We also have to get our product to market. I just wonder sometimes in this country.... We're a country with natural resources like no other, yet we can't find a way of getting our product to market, and we can do it in a way of lowering greenhouse gases.

Jason, I know the difficulty, as you do, of federal-provincial issues, but this country has more opportunity than any other in the world in terms of our natural resources, the size of our country, and everything else. We have to find a solution that balances climate change against the ability to get our resources to the market, and do the right thing for our kids and our grandchildren. That's where I'm coming from.

Thank you all for the discussion. I think it was a lively discussion. I want to end by saying that we have to find a way of bringing the sides together here and getting to a solution.

With that, we'll suspend for two minutes and bring up the second panel.

● (1705)

(Pause)

● (1710)

The Chair: Colleagues, we'll reconvene. As I think everyone knows, we're dealing with Bill C-74, the budget implementation act on the February 27, 2018 budget.

Welcome to the witnesses here this afternoon. We'll start with Green Budget Coalition. Mr. Van Iterson, welcome.

Mr. Andrew Van Iterson (Manager, Green Budget Coalition): Thank you very much. Mr. Chairman, honourable committee members, I would like to thank you all for inviting the Green Budget Coalition to speak to you today.

The Green Budget Coalition has been active since 1999. It is really unique in bringing together the expertise of 20 of Canada's leading environmental organizations, including many groups you would know well, such as Ducks Unlimited, the Nature Conservancy of Canada, CPAWS, and Nature Canada, which collectively represents over 600,000 urban and rural Canadians from coast to coast.

The Green Budget Coalition's mission is to present an analysis of the most pressing issues regarding environmental sustainability in Canada, and to make a consolidated annual set of recommendations to the federal government regarding strategic fiscal and budgetary opportunities. We work on a wide range of issues including climate change, energy, nature conservation, first nations health, and freshwater and waste-water issues.

Today, I would like to address two points. I'd like to discuss carbon pricing, of course, and then also talk about some important progress in budget 2018. I'm really echoing messages that were in our recommendations for budget 2018, which we sent to you all last year and discussed with senior representatives of all of your respective parties.

First, I would like to express the Green Budget Coalition's strong appreciation for budget 2018's investment of $1.3 billion over five years to create and manage protected areas and protect species at risk. This unprecedented federal investment has a potential to be a game-changer for nature conservation in Canada and could help move Canada from laggard to leader in terrestrial and marine conservation.

We're also appreciative of other funding measures in budget 2018, particularly the $1 billion for environmental laws, new funding for first nations drinking water and waste-water systems, protecting whale species, implementing and enforcing the federal carbon pricing system, and for science and research.

How this historic $1.3-billion investment is allocated will be critical to determining whether Canada delivers on our commitment to protect at least 17% of our landscape and 10% of our oceans by 2020, to substantially exceed this target in the long term, and to recover species at risk. Consistent with our past recommendations, the coalition encourages the government to allocate most of this funding to partnerships by supporting the involvement of provincial, territorial, and indigenous governments, as well as other partners, including for provincial parks and indigenous protected areas, and to primarily allocate the rest to support federally led expansion and more effective management of federal protected area networks.

The coalition and our members are very interested in continuing the constructive dialogue we have had with you and your colleagues and government officials to ensure that we maximize the impact of this important federal investment.

Second, on carbon pricing, I would like to reiterate the Green Budget Coalition's strong and long-standing support for implementing an effective price on greenhouse gas emissions. Climate change poses a major risk to Canadians, to the nature that Canadians hold dear, and to the nature that successive governments over the years have made major investments into protecting. A price on carbon is an important element to any climate change plan, applying the polluter pays principle, and giving incentives for businesses and individuals to reduce greenhouse gas emissions, move towards cleaner energy sources, and contribute to phasing out fossil fuels. We support combining a carbon price with measures that protect financially vulnerable Canadians and with measures to address competitiveness concerns that are targeted, transparent, and temporary.

Along with other strong government measures, research shows that a carbon price that continues to ramp up every year to 2030 is needed for Canada to reach its 2030 greenhouse gas emissions target. The sooner that we take substantive and effective action on climate change, the more effective it will be and the less it will cost Canadians. Supporting the implementation of an effective price on carbon now is an important step forward that, years from now, you will all be able to look back on with pride.

To conclude, I would like to thank you all for inviting the Green Budget Coalition to appear before you today. I look forward to your questions.

● (1715)

The Chair: Thank you very much.

Turning to the Macdonald-Laurier Institute, we have Mr. Cross, senior fellow. Welcome.

Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute): Thanks for having me back.

Polls show that a majority of Canadians don't understand or have never heard of a carbon tax. This demonstrates the gulf between them and the largely academic-bureaucratic elite who advocate this tax. For nearly three years, pro-carbon tax governments and bodies such as the Ecofiscal Commission have controlled the commanding heights of this debate with funding and media support that the fossil fuel lobby can only dream of, but they have failed to parlay these huge advantages into public understanding and support.

The main economic selling point for a carbon tax is that it leads to a better tax system. However, this is strictly based on several conditions, including being revenue neutral; every dollar raised by the carbon tax must be offset by lower income or payroll taxes. These promises were quickly forgotten, revealing it as just another tax grab that antagonized people concerned about the economy. Meanwhile, the promised reduction of carbon emissions is already falling short because the levies were not enough to materially change behaviour, disillusioning environmentalists—except some of them. The carbon tax did not bridge the gap between these two opposing groups, speaking for the environment and the economy, to create the social licence to build a pipeline. Finally, the election of a U.S. administration uninterested in its own carbon tax meant higher energy costs in Canada automatically put our industries at a competitive disadvantage without any prospect of lower continental emissions, making the whole exercise both costly and pointless.

For a trading nation such as Canada, raising the cost of domestic production but not taxing imports based on their carbon intensity penalizes our producers. This may curtail Canada's carbon emissions but does nothing for global warming if production simply moves to countries with lower emissions standards. Meanwhile, Canadian exporters are at a competitive disadvantage with the U.S.

As a practical matter, proponents of the tax have not disclosed what level of tax will be required to achieve Canada's climate change commitments. The case for a carbon tax has been disingenuous; advocates rarely discuss publicly how high a carbon tax is needed to attain the lower emissions targets, if that really is the goal. Is the current $50-a-tonne carbon tax the long-term ceiling for a carbon tax? If so, then they admit that most of the reduction in emissions is going to come from technology or regulation, since a $50-a-tonne tax has little impact on behaviour given its inelastic demand. Or is there a plan to raise the tax towards $200 a tonne, the level more transparent economists say is needed to change societal behaviour enough to move significantly towards emission reduction targets? However, saying so risks public support, so this is rarely mentioned. The Canadian public usually has a good sense when they are not being addressed in a forthright manner.

The politicians who most enthusiastically support a carbon tax are identified with left-wing governments such as in Ontario and Alberta. This has politicized carbon taxes, reducing their potential appeal to the broader base of the population concerned about climate change but hostile to a carbon tax. Instead of cultivating broad-based support, proponents of the carbon tax smugly stayed inside the safety of an echo chamber with their left-wing supporters and declared victory while demonizing opponents as dim-witted fossils from another era.

Without public support across the political spectrum that would ensure its long-term viability, the tax risks disappearing after its opponents are elected. The GST shows how easy it is to get elected by promising to reduce or eliminate an unpopular tax, even if it is universally beloved by academics and bureaucrats. The failure of carbon tax advocates to gain the support across the political spectrum that legitimizes a tax and insulates it from election results reduces the very efficiency of the tax, which is supposed to be its major advantage. The rush to impose a carbon tax before properly building public support for it lowers its efficacity because even when implemented, people don't believe it will endure and therefore do not invest in the lifestyle changes that would enhance energy efficiency and not just trim energy consumption.

The carbon tax is also unpopular partly because short-sighted, tax-hungry politicians refused to offset it with cuts to other taxes. More importantly, it imposes immediate costs on the vast majority of Canadians who still drive to work and heat their homes with fossil fuels while the benefits lie decades in the future. Finally, the federal and Alberta governments must shoulder the blame for failing to deliver on their promise that a carbon tax would buy social licence for pipeline construction, with the Kinder Morgan proposal the latest example.

There are two fundamental flaws in the academic assumptions underpinning the carbon tax. First, it assumes that changing long-standing behaviours is best accomplished by tinkering with the price system. This ignores that the true miracle of capitalism is not the efficient allocation of resources through the price system, although that is certainly one of its attributes, but its unmatched capacity for relentless innovation and technological change.

● (1720)

Game-changing new technologies are needed to combat climate change, not government fiddling with relative prices. The fact that our knowledge of how economics works in this area is limited to modelling the price system and not innovation is a reason to be skeptical about economics and to strive to better understand innovation, rather than focusing on the limited and less important areas economics purports to understand.

Second, having claimed that a carbon tax is the most efficient way of reducing greenhouse gas emissions, and hence climate change, carbon tax advocates assume that slowing climate change itself, via a carbon tax or any other mechanism, is the most efficient way of improving the human condition. Bjorn Lomborg, the self-styled skeptical environmentalist, convened a panel of experts to ask how limited resources could be allocated for the maximum benefit. Fighting climate change ranked 17th out of 30 initiatives, behind feeding preschool children, more immunization, fighting malaria, increased crop yields, and implementing early warning systems for natural disasters like tsunamis and earthquakes. Climate change ranks low because it imposes large economic costs while delivering uncertain benefits decades in the future.

We have many pressing needs that our current state of technology deals with more effectively than climate change.

Thank you.

The Chair: Thank you very much, Mr. Cross.

Turning then to the Pembina Institute, we have Ms. Turcotte, senior analyst.

Welcome.

Ms. Isabelle Turcotte (Senior Analyst, Pembina Institute): I'd like to thank the committee for the invitation to appear today. I'm Isabelle Turcotte, senior analyst at the Pembina Institute. We're a national non-partisan think tank that advocates for effective and strong policies to support Canada's clean energy transition, and we've been doing for over 30 years.

My comments will be limited to part 5 of the bill today. Canada has an unfortunate history of not respecting its promises on climate. We pulled out of Kyoto and we're on track to missing our Copenhagen target. We made another promise in Paris and collaboratively, over a year coming back from Paris, we developed a new plan to keep this promise. This plan was qualified by Canada's commissioner of the environment and sustainable development as, "likely one of the best plans we've seen to date".

This is great news for Canadians who, according to a recent poll, want to see credible action on climate change. Indeed this poll showed half of Canadians would only consider voting for a party committed to fighting climate change. Ninety-one per cent of Canadians believe we have a moral responsibility to do so for future generations.

Let's be clear about what our options are. There are three policy options to reduce carbon pollution. These are, number one, putting a price on carbon that results in market-based emissions reductions due to a price signal. Number two is to regulate specific actions that result in emissions reductions, for example, the new federal methane regulations. Number three is financial support and subsidies for innovation or deployment of emissions reductions technology. For example, there's the low carbon economy fund, which will help provinces leverage investments in clean growth. Canada's climate plan combines all three options.

According to the economist and Nobel prize laureate Joseph Stiglitz, a well-designed carbon price is an essential part of any strategy to reduce emissions in an efficient way.

Here are four reasons to price carbon pollution.

Number one, it is the lowest-cost pathway. As was discussed by my colleague from the Ecofiscal Commission, carbon pricing not only involves lower costs than other policy approaches, but the GDP cost is low in absolute terms. Number two, it lets industry chose its own path. Number three, it offers stability and predictability. Carbon price gives that consistent signal to promote the investments we need today to create that competitive low-carbon economy of tomorrow. Number four, it ensures transparency and fairness. Carbon pricing reflects the polluter pays principle and contributes to distributing costs and benefits equitably, avoiding disproportionate burdens on vulnerable groups through revenue recycling. As was discussed earlier, only 10% to 12% of carbon pricing revenues are needed to address equity concerns for the bottom 40% of households.

A price on carbon is becoming the norm around the world, and from an economic competitiveness standpoint Canada cannot be left behind. Luckily, in 2017 pricing carbon pollution became mainstream economic policy in Canada. Pricing systems are now in place in the four largest provinces. The same poll I mentioned earlier found that 78% of Canadians support putting a price on carbon.

Here's what we know about the impact of carbon pricing in these provinces. In 2017, Quebec, Ontario, Alberta, and B.C. were the four best-performing provinces in terms of GDP. The data soundly refutes the misconception that a carbon price hurts economic competitiveness and growth. In B.C., the carbon tax generated a net benefit for taxpayers and reduced taxes on employment, investment, and economic growth. B.C.'s carbon tax did not disproportionately affect low-income households. In fact, the opposite is true, it was progressive.

The federal government is now moving forward to ensure that carbon pricing is applied across Canada and we support this. According to the federal government, a pan-Canadian price on carbon would cut carbon pollution by 80 to 90 million tonnes by 2022. Our own analysis at Pembina, using our energy policy simulator, which is Canada's first free open source tool, shows that even larger reductions are possible. To put this 80 to 90 million tonnes into perspective, Canada needs to reduce its emissions by about 215 million tonnes by 2030. This cannot be achieved without carbon pricing.

As we sit in this room, Canadian diplomats are finishing another day of negotiations at the Bonn Intersessional, representing Canada, collaborating in good faith to implement the Paris Agreement. Pricing carbon is one of the most direct ways the Canadian government can support its own diplomats in doing the very difficult but important work of convincing the rest of the world that we are capable of following through on our climate commitments.

Thank you.

● (1725)

The Chair: Thank you very much, Ms. Turcotte.

Now we have Mr. Elgie with the Smart Prosperity Institute. He's a professor at the University of Ottawa.

Welcome.

Professor Stewart Elgie (Professor, University of Ottawa, Smart Prosperity Institute): Thank you, Mr. Chair and members, and thanks for inviting me.

I'm here today wearing two hats. I'm the chair of the Smart Prosperity Institute at the University of Ottawa, which is one of the major economic environment think tanks and research institutes in the world. We've got over 100 of the world's leading researchers on innovation and clean growth. We were just awarded the largest research grant by SSHRC to spend six years working with them to try to figure out how you drive clean innovation and growth across the economy.

For my second hat, we also have a leadership council that has 30 CEOs from across Canada's economy, mining, forestry, oil and gas, banks, and others who share this ambition.

I want to speak to two main points today. The first point is why carbon pricing is important for Canada's economy, and second, why it's the most cost-effective way to reduce emissions. If I have a minute, I may add one more about a tax incentive.

Let me turn to my first point.

Carbon pricing is a good idea not just for the environment but for Canada's economy. Don't take my word for it. Here are the words in a letter written to the Prime Minister and premiers by a group of prominent CEOs across Canada recently:

> Building a high performance, low carbon economy is a major economic opportunity and a vital environmental responsibility for Canada....
>
> The world's most advanced economic players are hard at work forging cleaner, more innovative economies, fuelled by a desire to compete in a changing global marketplace – one with huge potential to spur growth in all parts of Canada's economy [including resource and manufacturing sectors]....
>
> ...Putting a price on carbon, to reflect the real environmental costs, is the most cost-effective way to reduce emissions, stimulate innovation and drive energy efficiency....
>
> ...the revenues can be used to advance climate and/or economic goals....
>
> [Carbon pricing is an essential part of the] mix of...policies (incentives, infrastructure and investment) [needed]...to drive clean innovation – which is the key to generating climate solutions and securing Canadian competitiveness and jobs in a low-carbon world.

That is from environmental radicals like John Manley; the heads of mining, forestry, aluminum associations; Dominic Barton; and CEOs representing over $300 billion in revenue and a million jobs across Canada.

In my materials, you'll see quotes from each of them setting out why they think carbon pricing is critical to clean innovation and competitiveness for Canada. It's the same reason why more than 150 companies have signed on to the carbon pricing leadership coalition, including all five of Canada's big banks and three major oil companies, why seven of the 10 largest economies in the world now price carbon, including China, which just brought in the world's largest carbon pricing market, and 10 U.S. states, representing 30% of the GDP.

Carbon pricing isn't a left-wing or a right-wing idea. The three first carbon pricing systems in Canada were all brought in by centre-right governments. In B.C., Alberta, and Quebec it's been championed around the world by conservative leaders from Arnold Schwarzenegger to Preston Manning to Angela Merkel. It's just a good idea.

One of the major benefits is driving clean innovation, which is becoming a critical factor for global competitiveness in the years ahead. You can already see it beginning with the massive technology advances we've seen in clean energy and electric vehicles driving down costs and driving up markets. This trend is going to scale it across the economy in turning resource sectors, agriculture, and manufacturing, to create global economic opportunities estimated at more than $23 trillion by the World Bank, including resource and manufacturing sectors by 2030.

We just completed the most in-depth study ever done in Canada on how to drive clean innovation. This is the insomnia cure. This is the short version which was released by a group of 28 CEOs last month at GLOBE. The short version states that unleashing clean innovation by the private sector requires a mix of smart policies, incentives, infrastructure, and investments, but most important of all is carbon pricing, because it sends a signal that ripples across the economy.

The second point I wanted to make is that carbon pricing is the most cost-effective way to reduce emissions. You've heard several people speak to that today, so I won't say much on it other than that almost every credible economist supports that idea, and there's not much they agree on, I would add. There's tons of evidence and experience to support it.

Just look at B.C., in our own backyard. It brought in a carbon tax in 2008 that ramped up over five years like this one. In the time since that came in, if you compare B.C. to the rest of Canada, it has reduced GHG emissions by 7% more than the rest of the country, and its GDP has outperformed the rest of Canada by double in that period.

The evidence doesn't support a claim that the carbon price was the reason for the better economic performance, but it certainly didn't hurt the economy. It's the same story in Europe. If you look, over eight years, since its ETS came in—this is an OECD study that just came out comparing firms covered by Europe's price to those not covered—the ones covered by it have reduced emissions by more than 11%, and outperformed the other firms on revenue, growth, employment, investment, and innovation.

● (1730)

It's also not a perfect system, by the way. Quebec and Ontario have done better.

Part of the reason for that is that the revenues from pricing can be reinvested in the economy. They can be reinvested in tax cuts, as British Columbia has done—taxpayers have come out ahead by more than a billion dollars because of the reinvestment—or it can be reinvested in incentives for energy efficiency, clean vehicles, or firms to invest in clean technology, as Ontario and Alberta have done. It's one of the reasons why the four strongest economic performers in the country last year were the same four provinces that priced carbon.

The last point, just to make it briefly, because this is the finance committee, is that the CEOs on our leadership group are very concerned about competitiveness, and I'm sure all of you are, too, particularly in the wake of the U.S. tax cuts. When we released this "Clean Innovation" report last month, one of the recommendations made was—in addition to going ahead with carbon pricing, which is critical for innovation—to pair it with targeted tax incentives, one of which is an accelerated capital cost allowance for all clean technology. In the U.S., they've given an accelerated capital cost allowance for all technology, even dirty technology. Matching that just for clean technology would send a signal that would reduce emissions, increase investment in Canada in leading-edge technology, and be good for reducing costs for firms and competitiveness. I recommend that to you.

To wrap up, this country has a history of far-sighted policy leadership to prepare Canada for major economic changes. We did it 30 years ago when we realized that the world was moving towards freer trade. Even though we were a nation built on economic protectionism for a century, the Conservative government at the time got ahead of the global change by bringing in a free trade agreement. It also signed the UN Framework Convention on Climate Change, by the way. It was the same government that did both.

We're at that same kind of moment now. The world is moving towards a low-carbon economy as a fundamental economic shift. We need that same kind of far-sighted policy leadership from our governments today. People will look back on it in the same non-partisan way that we look back at the free trade agreement as a wise decision for Canada's economy.

Thank you.

● (1735)

The Chair: Thank you very much, Mr. Elgie.

We're now going to seven-minute rounds, starting with Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you to our panellists for coming today.

I think that we've heard in the last two panels that there's an overwhelming consensus—except for one panellist, who we shall not name—that the facts support a price on carbon. Now we can disagree on what type of price that will entail, the process of that price, whether it should be revenue-neutral, but the facts do support that pricing carbon will lead to a reduction in GHG emissions.

We also know, factually, across the world, when you look at any economist or any environmentalist, that the earth is getting warmer. Over the next century, it's supposed to go to an increase of 3 to 5.3 degrees Celsius, which is the biggest increase that we will ever have had in the history of planet Earth. That's a challenge. Like Stewart said, Canada has to be forward thinking. It has to meet this challenge head on.

You mentioned that, across the globe, economies that have done carbon pricing have had stronger economies and good economic growth. Can you please talk to that a little bit more, even outside of the Canadian context, so we can see what other jurisdictions in the world have done, a carbon price, and their corresponding GDP growth?

Prof. Stewart Elgie: You need enough years to be able to draw any kind of real conclusions, which is why Europe is the best place to do this. It has had carbon taxes going back to the 1990s in five or six countries. I've put two studies in my materials because a picture is worth a thousand words. One of them looks at the six countries that brought in carbon taxes in the 1990s, and what it shows is that over a period of about 20 years, those countries, if you isolate just the effects of the tax shift and nothing else, reduced carbon emissions by anywhere from about 3% to 6%. Those are relatively low taxes. They also saw GDP gains—not big ones, but anywhere from zero to 1%, so frankly within the range of error of the models.

Second is the OECD study that compared, under the European system, firms that are covered with those that aren't covered. Again, the firms that were covered by the carbon price had 11% greater emission reductions, but you'd expect that. What it also found is that they outperformed the firms that were not covered in terms of revenue, investment, employment, and innovation. The same study found that there was almost no evidence of economic leakage, which means firms moving elsewhere for competitive reasons. Part of that is because you reinvest the revenues as a way of creating economic incentives to spur clean growth in your economy.

Even Australia, while it had its carbon tax in, actually did better than the OECD average in terms of economic growth, and did better in terms of reducing emissions than it had before and after the carbon tax. It may not have been a political success in Australia, but it was actually a good policy while it was in place. There's only two years of evidence.

Mr. Raj Grewal: Yes, there's always a balance between politics and policy.

The Chair: Ms. Turcotte wants in as well.

Mr. Raj Grewal: Absolutely.

The Chair: Anybody who wants in, just raise your hand and I'll catch you. We do have a fair bit of time left.

Go ahead.

Ms. Isabelle Turcotte: Thank you.

I just wanted to add something to this conversation on the impact of carbon pricing through the regional and greenhouse gas initiative. This was a cap-and-trade program that was put in place in 2009 in the northeastern United States. It joined nine member states. Interestingly, under Governor Chris Christie, New Jersey pulled out of RGGI and is now wanting to join. He's on track to join again, and so is Virginia. So the RGGI members will go from nine to 11 members soon.

On the latest analysis on the impact, I'll just give you a few numbers here. RGGI provided $1.4 billion in net economic benefits. It led to the creation of 14,500 job-years, generated over $2.8 billion in revenue from permit sales, and very importantly, it halved CO2 emissions in member states. Also, it cut in two power prices in New England.

● (1740)

Mr. Raj Grewal: Thank you for your answers.

Stewart, you spoke about providing more incentive to become more green, especially from a competitiveness standpoint. You spoke about the reduction in corporate taxes in the U.S. Obviously a lot of firms in Canada are concerned with that. We're concerned with the flight of capital. Having said that, we've had very strong economic growth last year, and we're expected to be above 2% in GDP growth this year.

You mentioned the capital cap allowance for clean technology. Can you explain how that would be very favourable for Canadian firms and the Canadian economy?

Prof. Stewart Elgie: Part of what this proposed backstop bill does to help deal with the competitiveness issues is...output-based pricing, which is a good idea. Basically, major producing firms and exporters will still have all the incentive to reduce, but the total cost of carbon price to them will be reduced dramatically. So, you get the benefits of a price without all the economic costs.

But to add to that incentive, basically what a carbon price does is it incentivizes these firms to spend a bunch of money adopting leading-edge low-carbon technology, which is a good thing. It positions them for where the economy is going. In the short run, it's still a cost. It's still an investment.

If you give an accelerated capital cost allowance, it basically reduces the cost of investing in the very low-carbon technologies that you want the firms to invest in. That saves them money, but it saves them money in a targeted way by promoting investment in the kinds of clean technologies we want. And it's a tax incentive that promotes investment in Canada. The money has to be spent here in order to get the credit for it.

If you think about the things the U.S. has done, you'll remember they brought in a 100% capital cost allowance for anything, including a coal plant. That's not a great idea. But targeting it in Canada to support investment and the kinds of technologies that we want to prepare our economy for in the future is a really good win-win solution.

Mr. Raj Grewal: My last question is simply this. If I think about Brampton East, carbon pricing doesn't come up much in my riding. I represent a riding that's the second most diverse riding in the entire country, with 86% of the population associated with a visible minority. Having said that, we're a very well-to-do riding. It's an upper middle-class riding where the average house price is between $800,000 to $1 million. I have never had one call on carbon pricing. If I were to try to explain carbon pricing to my father, he would just turn to me and say, "What are you talking about?" But if I can talk to him about the recent windstorm that took shingles off our roof, or talk about the recent weather changes and give him concrete examples, he may try to understand why there needs to be a climate change policy in this country.

You are the experts. And I know one thing for sure. When my dad votes, I know he's a little biased and votes for me. He expects that his vote will be made for a member who will listen to experts when it comes to policy that will not only be for Canada today, but Canada in the future.

I'd like to thank you, on behalf of all Canadians, for the work that you do. Climate change is super important, and our government is going to do everything we can to ensure there is a price on carbon.

Thank you.

The Chair: Mr. Albas, you have seven minutes.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you to our witnesses.

I hope MP Grewal can count on the support of his own father in his own riding.

Politics aside, I think, Mr. Elgie, you had pointed out that in the United States they have created the equivalent of a CCA, capital cost allowance, where within one year it can be used toward any kind of equipment including, as you said, a coal-fired facility. I think that illustrates the example that if we were to do something similar here, only for clean technology, many people would say that many of those clean technologies are much more intermittent than a coal-fired generation facility. I'm not arguing for coal, but I am saying that it's a competitive challenge because coal can be done quite cheaply in comparison to intermittent energy sources.

I think this raises the bigger question of competitiveness, and I do also think we need to discuss carbon leakage.

Mr. Chair, I'd like to ask a question of each of the witnesses. Mr. Elgie talked a little bit in his presentation, and so did Mr. Cross.... What is your definition of carbon leakage, and in regard to Bill C-74? I just would like to hear what you have to say about those two things—your definition of carbon leakage.

● (1745)

Mr. Andrew Van Iterson: Broadly, our definition would be that it relates to economic activities that leave one jurisdiction and go to another because of differing carbon prices, in this context.

Mr. Philip Cross: I'd agree with that. It's imposing a tax on domestic production, and not imports. You end up just substituting imported carbon emissions for formerly domestically produced ones.

It is possible to devise a tax that would account for that, but none of the carbon taxes we're talking about in this country address that problem at all.

Ms. Isabelle Turcotte: There are many elements that will influence competitiveness of any industrial sector, and the federal government's backstop does provide a measure, through the output-based pricing system, that protects these industries against one element, which is a difference in carbon price between the price in Canada and the price in a competing jurisdiction.

Prof. Stewart Elgie: As the father of five-year-old twins, I'm an expert in leakage of all kinds. I'll talk about the carbon kind.

What you don't want is what my colleagues alluded to, which is that firms simply move across the border and continue to emit the same emissions they would have emitted in your country, and keep all the revenues and jobs there. That's the lose-lose option.

What you do want, though, is to keep your firms here and give them an incentive to be among the leaders in low-carbon production, because then they're going to get ready to compete where the world is going.

You want to have both, which is why you want to ease the economic transition. That would be the same as we did with an economic transition on the free trade agreement here for a few years, as you moved from a closed economy to an open one. There will be an economic transition here. Things like output-based pricing, things like accelerated capital cost allowance, and things like revenue recycling help firms as they make the transition to being low-carbon competitive without having to move elsewhere to do that.

It shouldn't be a long-term solution. In the long term, free markets are going to determine this, but this country has supported firms during economic transitions for a hundred years, and we should do the same here.

Mr. Dan Albas: I want to appreciate what Ms. Turcotte said specifically within Canada, because Bill C-74, in essence, is taking away the ability of a province. Let's give the example of Saskatchewan, which has built itself on being competitive with its neighbours. You also have northern territories, like Mr. McLeod's, where the cost of living and the cost of doing business are so much higher, so to be imposing a centralized framework upon them basically may seal up Canada inter-jurisdictionally between provinces and territories. Now actually—with the United States being at a different rate—I think we need to have more discussion now.

Here is what the B.C. NDP provincial government describes as carbon leakage in its 2018 budget:

> ...industries that compete with industry in countries that may have low or no carbon price. If...industry loses market share to more polluting competitors, known as carbon leakage, it affects our economy and does not reduce global greenhouse gas emissions.

This, of course, is in B.C. with a carbon tax already. I should say that my end quote here is on gas emissions, so this is coming from British Columbia, with a carbon tax already.

We've already seen a lower price that was first installed by former premier Campbell and his government, where the cement industry was hard hit and has continued to receive subsidies and has struggled to maintain its market share.

I believe that the B.C. NDP are also quite worried about one of their favourite industries, which is pulp and paper, and you know we all have our favourite industries. I think the rising cost in the carbon tax, as set out in Bill C-74—as of April 1, we saw gas prices go up in British Columbia because they are moving $5 per year—will only get worse.

What obligation do we have as parliamentarians to ensure that, for those industries where many families are impacted, and those small and medium-sized businesses will be impacted, we are able to stem this issue of carbon leakage? I would open that to anyone.

The Chair: Who wants to go?

Ms. Turcotte, you're the one who is looking restless. I'd say you're on deck.

Ms. Isabelle Turcotte: We do want to address these competitiveness issues. However, I don't think that the federal carbon pricing backstop should address intra-jurisdictional competitiveness issues. It is a challenge to address those issues with our foreign competitors. We are still in the process of developing those output-based standards, which will provide a relief and a protection for those sectors. However, Canadian society overall has a responsibility to meet the Paris targets for many reasons, including for the cost of inaction that we heard my colleagues refer to earlier. The output-based pricing system is also a subsidy to industry. It should be said that if we reduce the industry's responsibility to reduce greenhouse gas emissions, we're increasing the burden elsewhere.

● (1750)

Mr. Dan Albas: Will the United States meet their Paris targets?

Ms. Isabelle Turcotte: Personally, I would not want to have Trump as my role model.

Mr. Dan Albas: I'm just asking the question because I think it's relevant. We have tax reform in the United States. Mr. Elgie gave the example of a capital cost allowance that gives a real advantage to American producers.

Ms. Isabelle Turcotte: I would say that regardless of Trump's decision to withdraw from the Paris Agreement, which he cannot do until one day after the next election, there's an initiative in the United States called "We Are Still In", which is a gathering of private and public sector organizations and states that are taking even more ambitious action to compensate for the lack of federal leadership.

Mr. Dan Albas: I would suggest the chances are they won't, and I imagine that other countries will struggle with these kinds of things, particularly on the competitiveness.

Mr. Cross, in your submission you talked directly about the increasing uncertainty in economic relations between Canada and the United States, and the rolling back of certain corporate...whether it be regulatory measures or tax relief, or tax cuts in the reform bill.

In your expert opinion, what impact do you foresee a national carbon tax having on the competitiveness of Canadian industries vis-à-vis the United States and other non-carbon tax jurisdictions?

Mr. Philip Cross: I think it's just part of a wide range of policies that are making Canada less competitive. I think we're already seeing it show up in the investment numbers, for example. There is a semi-annual survey that was released this morning on business investment in the U.S. It's calling for a 10% increase. The same survey six months ago in the U.S. called for a 2.7% increase. That's a radical upgrade of business investment plans in a very short period.

Meanwhile, according to an annual survey conducted by my former colleagues at Statistics Canada, Canada is headed for a fourth consecutive decline in business investment. That gap between 10% in the U.S. and a small decline in Canada is probably the most distinctive difference between the two countries that I can point to these days, and probably has the most risks for Canada in the long term.

I would be quite concerned about it.

The Chair: Thank you all.

Mr. Dusseault.

[*Translation*]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

Thank you all for being here today.

My first question deals with something a witness said earlier, that we should not ask people to change anything and they should continue living their lives as before, as if nothing was wrong.

If human activity and the behaviour of the majority of human beings on earth do not change, will we really be able to combat or mitigate the effects of climate change? Is it realistic to think that we can fight climate change if we do absolutely nothing about the activities and habits in our lives?

Mr. Cross seems to have an opinion on that.

Mr. Philip Cross: I would like to start.

The issue is knowing how we want to bring about that change. Do we want it to be imposed by the government? Do we want to change the relevant prices, which would certainly encourage young people to modify their behaviours? Do we want a technological change that does not cost too much?

Mr. Pierre-Luc Dusseault: The fact remains that we need to change. That is probably clear to everyone, except to Mr. Kenney. In fact, he seemed to be saying earlier that, if people want to keep driving to the rink in their big SUVs, they have the right to do so with no penalty.

Perhaps Mr. Van Iterson has something to say about the matter.

● (1755)

[*English*]

Mr. Andrew Van Iterson: I think it's a valid question, and I don't think it's about penalizing anyone. Clearly, most of us, hopefully all of us, around this table understand that climate change is a major challenge and a huge risk to society. The solution involves changes. The best solution involves changes that have the least disruption to people's lives and provides the most benefits. That's why carbon pricing is the prime policy option that I've heard of. It allows people to choose. It gives them the incentive to choose the options that work best for them.

[*Translation*]

Mr. Pierre-Luc Dusseault: It is certainly a recurring theme. We are hearing that, among the available tools that are likely to allow us to reach our goals, this seems to be the most worthwhile.

Mr. Cross, you said that, before taking action through political means, the issue has to be better known, better accepted, by the public. I wonder how we could make this solution, really the most promising solution, better known, when we know that, even in 2011 and 2012, political parties were still demonizing what some called "the NDP's carbon tax". I remember that, because I was also in the House and, at least 10 times a day, we heard it being talked about as the most diabolical plan ever in Canada. People said that we must have nothing to do with it.

How can we make the solution better known and accepted?

Mr. Philip Cross: I have no answer to that. For example, Mr. Elgie said that there is a very strong consensus among economists that taxes on consumption are preferable to taxes on income. Economists have never been able to convince the general public of the merits of that approach. I could be elected tomorrow if I opposed the GST.

Perhaps the question is better put to those in favour of a carbon tax rather than to me.

Mr. Pierre-Luc Dusseault: Perhaps it is, indeed.

Mr. Elgie, would you like to make a comment?

[*English*]

Prof. Stewart Elgie: Briefly, just to correct what I said, almost all economists agree that a carbon tax is the most cost-effective way to reduce greenhouse gas emissions.

I would like to say a couple of things. We've heard from a couple of people this idea that there's a choice between putting a price on carbon and spurring technology innovation. It's actually not a choice. The two are integrally related. You need both. Part of what spurs technology innovation is the idea that you may actually sell that technology someday. What helps you sell that technology is having a price on pollution.

Part of the reason we don't see adequate levels of clean innovation, even though carbon and other kinds of pollution are a real cost, is that pollution is not priced by the economy. This is what economists call an "externality". Even a conservative right-wing economist like Milton Friedman used to tell his University of Chicago students that his free market theories don't work when it comes to pollution, because private markets don't price pollution.

Putting a price on carbon is one of the critical things you need to drive the invention and the adoption of these clean technologies. It's not the only thing, but it's vital.

[*Translation*]

Mr. Pierre-Luc Dusseault: In terms of a price on pollution, we often hear that, in a number of areas, polluters should clearly pay for the pollution they create.

In the 21st century, does it make sense, in your opinion, that people should have to pay if they pollute, or if they send their waste somewhere, to landfills, for example? It can be done through taxes, municipal, provincial, or any other kind.

In your opinion, is that notion logical, given that, in most other areas, it is already taken for granted, and that we are currently just catching up in terms of a carbon strategy?

Ms. Turcotte, do you have any comments on that, or on any of the other questions I raised?

Ms. Isabelle Turcotte: Yes. In terms of making sure that the public understands and accepts the plan to put a price on carbon, we just have to explain how it works, rather than exploiting unbalanced information for one's own purely political advantage.

I would say that we agree with the polluter-pay principle—and when I say "we", I mean the Pembina Institute. However, we recognize that it is not the only tool Canada has in the face of climate change. We also have regulation, and we can fund innovation. Those three measures have to be combined.

● (1800)

[*English*]

The Chair: I'm sorry, but we'll have to end it there, Pierre. We're over the time.

Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

I would also like to thank all the witnesses who have come here today.

One of the great privileges of being a member of Parliament is having the opportunity to listen to very intelligent people who are experts in their field, and to exchange ideas with them. I would like to acknowledge the contribution each one of you is making to the development of policy in Canada.

Mr. Cross, I would like to emphasize that I am a great admirer of Statistics Canada and I would like to thank you for your 36-year career at the agency. It does you credit.

[*English*]

In a sense, that leads me to a bit of a surprise when I believe.... Perhaps I misheard your opening comments about how you felt about some of the proponents for having put a price on a carbon.

You said something along the lines that they are mostly people who are of an intellectual "elite". Did I misunderstand that?

Mr. Philip Cross: No, I think that's.... I mean, we saw it in the previous presenters, and now in this one. The vast majority of the commentators in this area believe fervently that a carbon tax is the most efficient way of achieving this goal. They may very well be right. The problem is, though, that they have not been able to get that message through to the public, so they end up talking to each other. They convince each other, but the message seems to flop at the public. We saw exactly the same thing play out with the GST, with sales taxes. We seem to have not learned the lesson.

Mr. Greg Fergus: Then I would I see two things on that front.

First of all, when I listen to Mr. Elgie present and I take a look at the number of non-academics who are supporting.... I'm certain that all these companies that have signed on to the smart prosperity leaders' initiative.... There are over 150 companies, a whole bunch of companies, from the Desjardins Group to Enerkem, to all the major banks, to Cenovus, to big leaders.... It seems to me that these are not necessarily your academic elites, but people who are practising, who very much have skin in the game, who compete globally, and who really want to make sure that their companies remain globally competitive and at the top of their game. I'm just a little perplexed about how a person of your stature could still hold that point of view, which seems a little ad hominem.

Mr. Philip Cross: The average person, though.... I'm glad you raised that, because it was a point I wanted to make in response to Stewart's opening statement. Yes, large corporations like this are those that are best suited to deal with complex regulations. Large corporations tend to like a lot of government involvement in the economy. It's the small and medium-sized businesses that have a very bad reaction to this. It's a real imposition for them, and they don't have the resources internally to figure out how best to deal with a lot of these things.

Again, it goes back to.... Perhaps I shouldn't say it's just an academic bureaucratic elite. Mind you, when I say "bureaucratic elite", I include most large corporations as large bureaucracies.

Mr. Greg Fergus: My final point would be that it is those large organizations, large companies, and corporate Canada that have to do most of the trading internationally. They're the ones that will face global competition. As my former colleague said earlier, they're the ones who really have to understand where that puck is going to be and to play where that puck is going to be, as opposed to just trying to follow the play at every single stage. You have to anticipate. This is one of the ways, it seems, if you want to make a change on dealing with a climate change: you have to seek out the best ways of doing so at the minimum amount of disruption and cost.

It seems that there is a large consensus amongst people who are practitioners in the economy, as well as people who have given some great thought to this as academics or as researchers, that the single best way—and perhaps this is a question for Mr. Elgie, who can add to my comments—is for us to proceed with putting a price on carbon, that is, making sure that it does not become an externality, a free rider in the system.

● (1805)

Prof. Stewart Elgie: I think the first point is that this is a real cost, and part of Adam Smith's invisible hand is that free markets work when they charge real costs. The reason we have too much pollution in the world is that private markets don't naturally capture those costs and it falls upon government to actually be responsible for imposing that collective cost, so that markets work more efficiently, not just for environmental reasons but for economic efficiency.

One of the things I've found is that none of the people who oppose carbon pricing can come up with a more cost-effective way of reducing greenhouse gas emissions. They say that they don't like the cost of a carbon tax, but I've never heard a single one of them come up with a more cost-effective way to reduce emissions. I'm left wondering if they really believe genuinely in reducing greenhouse gas emissions or not. That would be an interesting debate to have.

I think in terms of this issue of how much the public gets it, there's probably some truth to it. I would say there are lots of things in terms of running an economy that not everyone understands. When the governor of the Bank of Canada changes the Bank of Canada rate, I'm not sure everybody, including me, understands all the reasons for doing that, but that's part of the reason why we have government to show leadership.

I think the average person does understand that the world is changing, when they look around them and they see more and more high-mileage vehicles and electric cars on the road, they see when they flip their electricity switch on that it's coming from clean sources, and they see more and more energy-efficient buildings. They see that the world is moving toward a cleaner, more innovative, low-carbon economy and that things are still working fine, that we can make that change, and they understand that we need to accelerate that change. Part of the reason we elect governments is to help them figure out how to do that.

Would it be great if every person understood all the economics of a carbon price? Sure, but part of the reason we have governments is to help make those leadership decisions.

The Chair: Mr. Cross.

Mr. Greg Fergus: [*Inaudible—Editor*] minutes of my time.

The Chair: Your clock's wrong.

Mr. Cross.

Mr. Philip Cross: Just to follow up on the original question, yes, it is quite interesting that it is especially large corporations, not just in Canada but in the U.S. and in Europe, that are in favour of a carbon tax.

What is their motivation? Are they advocating for the type of $200- or $300-a-tonne tax that is needed to meet the goals, or are they trying to impose something, $50 or $100 a tonne, that would be an inconvenience to their smaller and medium-sized competitors? I'll let you speculate on what their motivation is. I don't hear a lot of them advocating for the $200.

The Chair: Mr. Fergus, I'll let you go ahead with a short question.

Mr. Greg Fergus: Given the level of the proposed carbon tax that we have, how much would income taxes have to be reduced to compensate for that level of price that we would put on the carbon? Is there any estimate or any research that any of you have seen on that?

Ms. Isabelle Turcotte: I can only point to a figure that was stated earlier by Dale Beugin, which says that 10% to 12% of carbon pricing revenue is sufficient to address fairness and equity concerns for the bottom 40% of households in Canada.

If I may, I keep hearing the $200 to $300 figure. Is this from an assumption that this is what we're advocating for?

Mr. Philip Cross: No. I heard a lot of these numbers thrown out by Mr. Kenney at the end of his previous testimony.

Ms. Isabelle Turcotte: Right.

Mr. Philip Cross: I've heard a professor, and the name escapes me at the moment. There's one in particular at the University of B.C. who has very openly said that we're going to need at least a $200 a tonne target to meet our reductions.

Ms. Isabelle Turcotte: Is that if we were to meet our Paris targets through only a carbon tax?

Mr. Philip Cross: Yes.

Ms. Isabelle Turcotte: But no other measure, which we are not suggesting.

Mr. Philip Cross: Right.

Prof. Stewart Elgie: The other point, too, is that one thing we know about technology innovation is that, if you had asked someone 20 years ago what it would cost to have a laptop or a smart phone, they would have said thousands and thousands of dollars based on the current technology. Part of what we'll do with things like an economic incentive for carbon pricing is drive down the costs of technology. It's the reason why the costs of wind and solar have gone down 80% in the last eight years, and you've seen a similar decline in the cost of electric car batteries. Pricing plus other incentive measures are driving down the costs, which are actually reducing the costs of transitioning to a low-carbon economy. In most parts of the world, many parts, it's actually cheaper to produce energy through wind and solar now than it is through coal.

Your point about storage is a valid one. We're going to have to make that same kind of breakthrough on energy storage for that to be a sustainable baseload, but there are lots of really bright people working on doing that, and whoever cracks that one is going to make a lot of money. Let's make it here in Canada. We've got some players who are in the game on that one.

● (1810)

The Chair: Before I turn to Mr. Kelly, this is just on this discussion on the message getting to people. The experts or bureaucracies are talking to themselves. I talk to farmers and fishermen a lot. I campaigned a campaign on the green shift. I can tell you it wasn't a pleasant campaign. They're very worried, even though they're exempted, at least in the federal legislation on fuel, which is their biggest cost.

By the same token, I can tell you from my experience in Prince Edward Island. Maritime Electric is through the province...30% of the energy comes from windmills. When that first started, even though everyone was complaining about the cost of electricity, you had the option of buying the more expensive electricity, and I did myself. A lot of farmers went to the more expensive electricity, even though they were complaining about the price of electricity, because it was clean.

Part of the problem here is that the public really doesn't trust governments to be revenue neutral. It came up in the discussion previously. The public doesn't believe us when we say that this carbon pricing will be revenue neutral.

How do we change that, or can we?

Does anybody have any brilliant answers?

Stewart.

Prof. Stewart Elgie: I guess I'd start by questioning the issue of whether or not carbon pricing must be revenue neutral.

I think governments make choices about how to spend tax monies all the time; that's part of the fundamental reason we elect governments. I'm a co-founder of the Ecofiscal Commission, so I believe in everything it's done. I think there are a lot of strong economic arguments for taking carbon tax revenues and reinvesting them in tax cuts. Probably if I were elected, I'd put a lot of the revenues toward that.

When government reinvests in the economy, whether it be in clean infrastructure, public transit that lowers the cost for people to get around, home energy incentives that lower people's fuel and heating costs for their homes, incentives for companies to invest in clean technology and increase their profitability, those are all investments in the economy, too. Those are all investments that can actually reap economic rewards. In fact, your government is making a massive investment in infrastructure on that very same argument, that building the physical and technology platform for the future is a really smart investment in the economy.

I think there is a strong argument for tax cuts. If you look at the modelling we've done at Ecofiscal, for example, reinvesting the revenue in technology incentives, both for businesses and homeowners, you see it generates almost the same positive economic outcomes as reinvesting it in income tax cuts.

The Chair: Mr. Kelly, we're on five-minute rounds.

Mr. Pat Kelly: Thank you.

I have a brief question for Professor Elgie.

In response to Mr. Albas' question about carbon leakage, you spoke of the danger of a lose-lose scenario, where production simply shifts to a different jurisdiction. With that in mind, I'd like to return to something you said in your opening statement. You mentioned that the three CEOs of the largest oil and gas companies operating in Canada have signed on with your initiative.

Can you tell me how many employees those three companies have laid off since 2014? How many billions of dollars of investment have been redeployed to jurisdictions outside Canada, by those three companies?

Prof. Stewart Elgie: Listen, that's a very real concern. I talk with them about that all the time. I can tell you what their answer is, and they know the answer better than I do, so I'll relay what they tell me.

The shift in capital for oil and gas is largely driven by global oil prices and the fact that the U.S. has developed low-cost oil and gas fields largely through fracking. The fundamentals of reinvestment are driven mainly by those two factors.

● (1815)

Mr. Pat Kelly: I was hoping for an answer to the numbers, of how much has moved, and how many. I didn't want to—

Prof. Stewart Elgie: No, but there are a significant number.

Mr. Pat Kelly: Okay.

Prof. Stewart Elgie: It's not due to carbon pricing, is their answer.

Mr. Pat Kelly: Okay, but they've signed on to your initiative, and they are the companies that right now have laid off significant numbers of people in my riding. I have thousands of residents in my riding who are unemployed from the oil and gas industry.

I'd like to move to Mr. Cross.

We've discussed this. The government has repeatedly said that the carbon tax is going to be revenue neutral, and yet they refuse to disclose to us what the cost will be. They refuse to disclose what their own projections are for the result on emissions. They have refused to provide Canadians with the modelling that they have done. I wonder if you have done your own modelling, or if you have information in your studies that you could share on what you think the average cost to a Canadian family might be, and whether or not this tax will in fact reduce emissions.

Mr. Philip Cross: No, sorry, we haven't done any modelling on that. You might be asking the wrong person. I did work 36 years at Statistics Canada. As you mentioned, we have lots and lots of models. I'm not sure I believe any of them. It was the models that got us into.... For example, my skepticism towards models was reinforced and solidified by the behaviour of banks running up to the 2008 financial crisis. That was all due to models—models based on, "Oh, house prices will never fall at the same time across the United States, because that's never happened before, on record."

I'm very skeptical about the utility of models in a lot of these questions.

Mr. Pat Kelly: Yes, and don't misunderstand from my—

Mr. Philip Cross: There's one final thing I'll add about models. We don't have a model of innovation. There was a suggestion here from Stewart that economists understand innovation, and if we play with the price system, add some incentives, and put some inputs in, this output will come out in technological change.

Economics does not have a theory of innovation; I'm sorry. As the one economist on this panel, let me assure you of that.

Mr. Pat Kelly: Thank you. And that wasn't to defend modelling as a policy tool but merely to point out that if they shared whatever modelling they had, then an economist like you would be in a position to judge the quality of the modelling or the methodology they've used.

The fact is that there has been no disclosure from this government. They have steadfastly refused, including at this committee table last Thursday, where the Minister of Finance refused to answer the question repeatedly about how much this tax will cost the average family and how much it will actually reduce emissions.

Mr. Philip Cross: My last comment on models is that I'm not against modelling. Modelling is a great way to organize your thoughts about something and to highlight what the important assumptions are. The problem, as somebody put it, is don't believe your models.

Mr. Pat Kelly: All right.

The Chair: You're out of time.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

I appreciate all the presenters here today.

Climate change is something that is very real in my riding. I represent the Northwest Territories. We certainly see the impacts. Yesterday the river broke on the Mackenzie, and the ice moved. I had a lot of people contact me and voice concern about how thin the ice is. The ice is about a foot and a half thick. When I was growing up as a young child, the ice was five to seven feet thick. It was a spectacular event to see the Mackenzie River break up. There was lots of thundering noise and ice pushing up the bank. You don't get that anymore. I flew over the Beaufort Sea this winter, in January, and in parts it hadn't frozen. It was still open. We've never seen that before. People in the communities are saying they're not able to go hunting. They used to be able to go 40 miles onto the ocean. Now they can barely go five.

So we're really starting to see a lot of impact. A lot of people are asking, "What can we do?" Pricing on pollution is one area we can certainly focus on, but there needs to be more. If we're going to have an impact, we certainly have to do a lot of the things at the same time.

I think somebody mentioned today that if we're going to have change, we need good planning. Many of the indigenous governments that I represent—we have seven large indigenous governments in my riding—talk about land use planning. Every one of them wants to do land use planning where we have a plan to develop the economic opportunities and where we also have, in the same plan, conservation areas.

My question is for the Green Budget Coalition, because I know you work with organizations that work with protected areas, but you also do a lot of planning on how we can protect what we have. Can you maybe talk a little bit about the importance of a good plan, especially a land use plan where we can do conservation planning, economic planning, protect our historic sites, take into consideration what the indigenous governments are telling us in areas that are sacred to them, and have everybody have buy-in rather than always butting heads on the issues?

● (1820)

Mr. Andrew Van Iterson: I think that's a really important issue to raise. I think we've been increasingly realizing over the years that an effective, successful protected area is not just a piece of land cut out on a map but one where we take time, engage especially indigenous knowledge and the knowledge of others who live in the area, and deal with people in terms of the job creation aspects and the cultural value in the areas.

That's partly why we made our recommendation for funding around protected areas. You need funding for the process to get started in the creation of the protected area and the long-term management. We've been particularly supportive of the indigenous guardians proposal as a way to engage the knowledge and wisdom of indigenous communities.

We're also very optimistic about the Edéhzhíe protected area in your riding that we're hoping will continue to be formalized.

Mr. Michael McLeod: Thank you, and I'm glad you mentioned Edéhzhíe, because Edéhzhíe started many many years ago, and since the actual application was submitted, we have seen two diamond mines apply and get approval. We know there's a different process for economic projects versus protecting areas.

Do you really think that the protected areas strategy is working? I know there were eight submissions in my riding, and I don't see any of them being finalized, and I've been watching for over 10 years on some of them. Is it something that we continue to pursue, or do we just park it and try something else?

Mr. Andrew Van Iterson: I'll admit to not being an expert on the protected area strategy. My sense is that there are very well-meaning individuals and organizations involved, and they're trying to strike the right balance among a number of different stakeholders, as you mentioned, whose interests all matter. That can be a challenging process, as the carbon pricing discussion is showing also.

The Chair: A very short question, please.

Mr. Michael McLeod: I have one last question to Stewart regarding carbon pricing. I have a hard time trying to figure out what the actual number should be for carbon pricing, and it seems like a lot of people are taking a lot of guesses in terms of what it should be. Carbon pricing is not on its own. It's dependent on what else happens. If we're going to meet the target for the long run, in 30, 40 years, we can't put a number on it until we know what else is involved to try to reduce the carbon issues.

Is that correct?

Prof. Stewart Elgie: Yes. Your points about the north, I think, really hit home. I lived in Alaska for years, on the other side of the border in the north. To me, it helps to be looking forward, and if you imagine 20 years from now it's not that hard to imagine what a future low-carbon economy will look like. We will use a lot less energy in our homes, our vehicles, and our businesses, and the energy we use will be generated by low-carbon sources or fossil fuel-free sources. The world will get to that place. The challenge is accelerating our pace to get to that place. It's particularly important for folks in the north because your ability to access things like low-emission vehicles and clean energy sources is tougher. So I would say that, in addition to carbon pricing, we need things like a major investment in clean energy sources for the north, and a big part of that is infrastructure. It's really important right now. Infrastructure is going to be around for 30 years, so we need to build the infrastructure for a 2030 or a 2040 economy today.

I grew up in Toronto, and if you ever go across that Bloor Street bridge, there's a little subway line that runs right under it, and that was built before anyone had subways. Someone was thinking ahead and decided to build that subway line then, knowing that in 10 or 15 years there would be a need for subways.

We've got to make those same kinds of forward-looking decisions today so that we're actually ready for the low-carbon world that's going to come tomorrow, whether we like it or not. We talked a lot about the impact of prices, and we all feel, me too, that governments can't insulate the public from economic changes. I think your job is to prepare people for it, and help them make those transitions, and I take my hat off and admire you for your efforts to do so.

● (1825)

The Chair: Thank you, both.

Mr. Albas and then Mr. Fergus will split six minutes.

Mr. Albas.

Mr. Dan Albas: Great. Thank you.

Mr. Cross, could you briefly comment on what you think the impact will be on low- to medium-income families, which Liberals claim to be helping the most, in regard to this bill.

Mr. Philip Cross: I think that's one of the problems with carbon taxes and sales taxes in general. They do tend to be regressive. Low- and medium-income families spend a proportionally larger share of their budget on these energy sources. So it's inevitably going to be regressive.

Mr. Dan Albas: Are you familiar with Chi Man Yip's submission in the *Journal of Environmental Economics and Management*, which came out recently, on the labour market consequences of environmental taxes? Are you familiar with that?

Mr. Philip Cross: No, regrettably, the *Journal of Environmental Economics and Management* is not one of the publications I subscribe to.

Mr. Dan Albas: One of the things he says is that first the policy raises the overall unemployment rate by 1.3%. Second, unemployment effects, regardless of gender or educational category, are significantly different across demographic groups. Males of lower educational levels suffer the brunt of unemployment effects.

Would you say that there is more than just the harm to families in terms of the money that they pay out for carbon tax, but this could also cause unemployment and particularly—

Mr. Philip Cross: That's a good point. I hadn't thought of that, but yes, there's going to be a difference by gender too. This is because more men work in the goods-producing industries—manufacturing, oil and gas—that sector is going to be disproportionately affected. So there will be a gender effect, since we're all supposed to have gender analyses about everything we do now.

Mr. Dan Albas: Yes, and unfortunately that's not being shared with us.

I'll go back to what Mr. Elgie said earlier about the reasons for the relocation of certain companies to other jurisdictions.

First of all, the government is pursuing a multi-layered strategy here. The price on carbon is one, but obviously they're increasing regulations. We had Mr. John Moffet from Environment Canada here. He said that there's going to be more innovation, which he basically said vis-à-vis...to me, it was subsidies. Instead of the invisible hand setting a price within a single market, are we not going to get where we will, because we're part of an integrated economy—Canada, the United States, and in fact the world—be pounded by having higher prices and higher regulation? In addition, we're going to have to subsidize our market.

In fact, Mr. Moffet said that he anticipates market failures. I don't think he means market failures as in "the market doesn't function". I think he means market failures in terms of how businesses will not be able to compete and therefore we will have to subsidize to keep them open. Are you concerned about the integration of the Canadian economy while seeing some of these policies move forward?

Prof. Stewart Elgie: Yes. I'm really concerned about competitiveness. To be honest, I think the world is going to move to a low-carbon economy whether Canada likes it or not. To me, the challenge is, does Canada prepare itself to be competitive in terms of generating wealth and jobs around where that economy is going? I think that's a real concern.

In terms of the transition, carbon pricing is the most cost-effective way to reduce emissions. I have yet to hear today or anywhere else that someone has come up with a more cost-effective solution to reduce emissions. That said, it's not perfect. There are some things that it doesn't reach as well. Ecofiscal has put out a whole report on that, which I won't bore you with today—but I can give you the link —in terms of the reasons why in the short term you may need other regulations or incentives to help accelerate the transition.

I think we're looking at fuels, coal phase-out, and a couple of other areas where there are going to be specific regulations—methane. Those regulations are necessary because pricing won't do all the work fast enough to get us there, but we do have to deal with the competitiveness impacts of doing that. That's why things like output-based pricing.... That's why I suggested things like the accelerated capital cost allowance. If we're going to be pushing firms to make those investments, let's give them some relief to help lower the costs of doing so.

Mr. Dan Albas: But do you see right now that the Trump administration—

The Chair: I'm sorry, guys. I have to give time to Greg or we're going to be out of time here. Greg is the next questioner.

● (1830)

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

I have a question for Ms. Turcotte. Mr. Elgie and Mr. Van Iterson can answer as well.

Ms. Turcotte, I acknowledge that a price on carbon will have an impact on the economy and on the public. However, inaction also has a price.

Can you tell the committee clearly how much it will cost if we do not address the challenge of climate change?

Ms. Isabelle Turcotte: Yes, absolutely. I have a precise figure for the cost of inaction.

[*English*]

It's $21 billion to $43 billion per year by 2050, according to 2011 estimates from the National Round Table on the Environment and the Economy.

[*Translation*]

It is substantial.

In the study that Environment Canada published a few days ago, they mentioned an effect of 0.1% on the GDP. In the budget forecasts in April, the effect was 0.45%.

Canada's Ecofiscal Commission estimates that the impact could be practically nil if the redistribution of income in Canada is considered.

Mr. Greg Fergus: Has the commission also assessed the cost to the economy if we do not act now to tackle the problem of climate change? What cost would that represent in 10 or 20 years?

Mr. Elgie, I see you shaking your head.

[*English*]

Prof. Stewart Elgie: No, the Ecofiscal Commission hasn't done that cost estimate yet, but there are a number of estimates out there. The most high-profile one was done by Sir Nicholas Stern, former chief economist for the World Bank.

His estimate was that the cost of inaction on climate change would be relatively equivalent to the cost of both World Wars and the Great Depression combined. Different people have higher numbers or lower numbers than that, but that's the order of magnitude of not dealing with climate change. Certainly, the insurance industry has seen its payouts for severe weather events go up dramatically over the last 20 years. They're one of the hardest lobbyists at global climate summits because they're on the paying end of the costs of climate change.

Mr. Greg Fergus: Are they on the paying end, or is it the individuals who are on the paying end?

Prof. Stewart Elgie: You're right, but their profits are in the middle of that equation, so they are pretty concerned.

The Chair: Okay. With that, I think we had a very interesting afternoon from all the panellists on both panels.

I want to thank you very much for coming, for taking the time to put together a submission, and for answering questions.

The meeting is adjourned.

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